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PART 1

INTRODUCTION AND OVERVIEW

EXECUTIVE MAYOR'S FOREWORD

July 2010 saw the finals of the 2010 World Cup Soccer championships. South Africa proudly hosted a very commendable World Cup, which showed the resolve of all spheres of government and civil society to put the country firmly in the world arena. This resolve must be evident in our endeavour to promote development in all our areas.

As an institution, our objective is to improve our services to impact the lives of the people in the District. This is not without its challenges, as a substantial percentage of the communities in our area are very poor, and most of them are dependent upon social grant support from the Government. Our task is to ensure that through the efforts of Government, we can do something to better their lives.

Our primary role as a District Municipality is to support our local municipalities by building up their capacity to deliver services to the communities, and we have made tremendous efforts in that regard during the year under review. The District Municipality played a major role in ensuring that infrastructure development took place. Not only did we invest substantially in capital projects, but were also able to obtain funding for projects from Provincial and National Government as well as various development partners.

During the financial year under review, there was a genuine effort by the Eastern Cape Provincial Government to make intergovernmental relations work. Whilst there is still a long way to go before it can be said to be successful, I cannot over-emphasise how critically important it is for all spheres of government to work together to achieve seamless service delivery. We must all make a concerted effort to make sure that this happens.

The National Health Council resolved in line with the National Health Act of 2003, that the Primary Health Care Services as performed by the various municipalities within the Eastern Cape Province revert to the Provincial Department of Health. This was facilitated through a transfer agreement between the ECDoH and the various municipalities, and was implemented with effect from 1 January 2011. Provincialisation of the PHC service has had a huge impact on the size of the this institution's staff structure. The Municipality will, through the District Health Council, continue to maintain oversight over the standard of the service rendered by the Province in the District.

Council has reiterated its decision to relocate its Head Office to a town in its area of jurisdiction. The town of Kirkwood in the Sundays River Valley municipal area was decided upon. It is crucial that the District Municipality develop its own identity and it can only realistically do it when it is located in the Cacadu area. Furthermore, it is important to note that, due to its agricultural and tourism potential, the Sundays River area will be a significant node for rural development.

Local Government elections took place on 18 May 2011. With effect from these elections, the District Management Area of Cacadu was disestablished and incorporated into local municipalities in the District.

The new Council of the Cacadu District Municipality was inaugurated on 8 June 2011. This meant that for a substantial portion of the financial year under review, the operations of the Municipality were overseen by the former Executive Mayor, Mayoral Committee and Council. I would like to express my deepest gratitude to them for the tremendous work done during this period, and undertake to build on the solid foundation they have laid down and maintain the standard they have set for the institution.

I want to thank the former Executive Mayor, and the former and current Speaker, Mayoral Committee and Council for their support. My appreciation also to the Municipal Manager and staff for their ongoing efforts to achieve the goals of the organization.

K E KEKANA
EXECUTIVE MAYOR

OVERVIEW OF THE MUNICIPALITY

The Cacadu District Municipality (CDM), DC10, is the largest (58 243 km²) of the six (6) District Municipalities in the Eastern Cape Province. The District is situated in the western portion of the Province, bordering the Western Cape, Northern Cape and two other District Municipalities in the Eastern Cape, namely Chris Hani District Municipality and Amathole District Municipality.

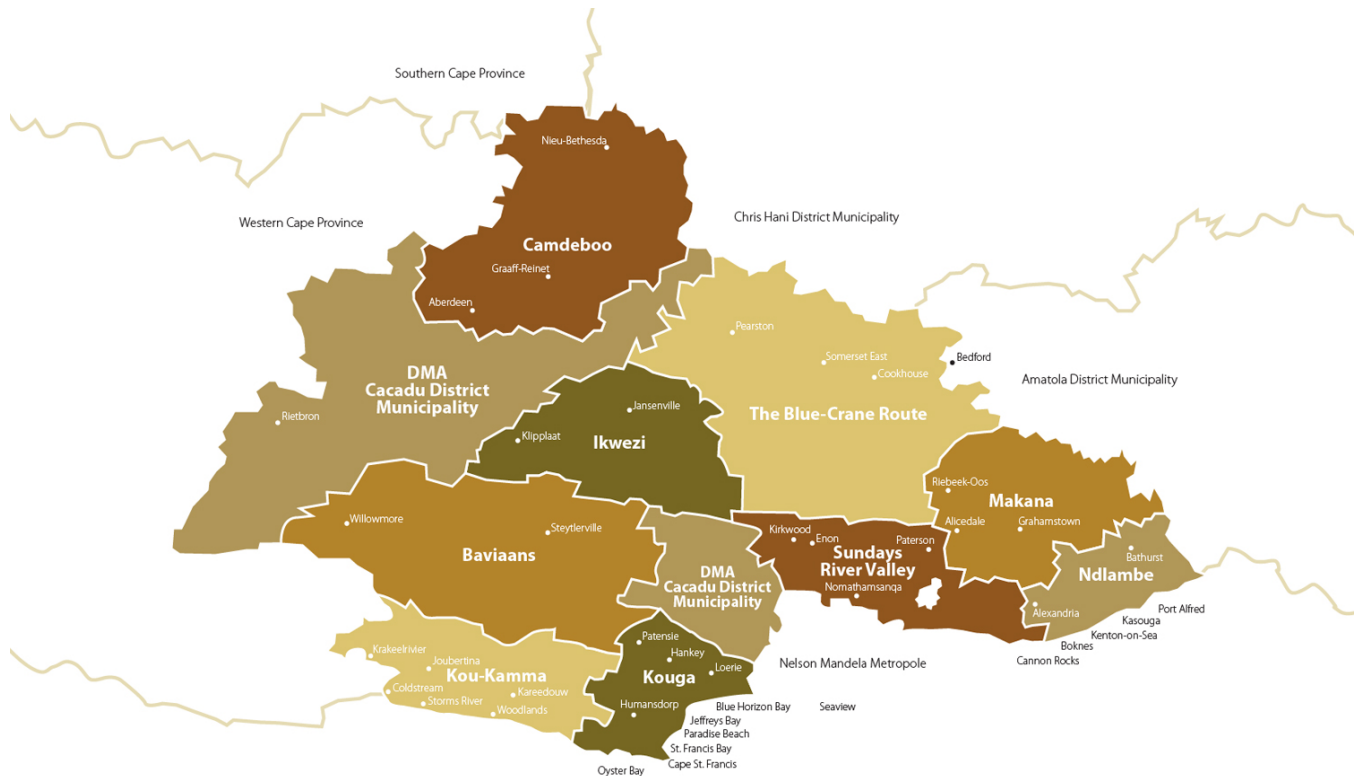
The District consists of nine (9) local municipalities (Category B Municipalities). Four other portions collectively known as the District Management Area (DMA) were incorporated into 5 of the local municipalities, effective from the date of the municipal elections in May 2011. Two of the four areas are National Parks, namely the Addo National Elephant Park and the Tsitsikamma National Park. These parks are managed by the South African National Parks Board.

The District wholly borders the Nelson Mandela Metropolitan area, and consequently, land access to the Metropole is via the Cacadu District. The nine local municipalities in CDM and their respective towns are:

	MUNICIPALITY	MAIN SETTLEMENTS / TOWNS
EC101	Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda
EC102	Blue Crane Route	Somerset-East, Cookhouse, Pearston
EC103	Ikhwezi	Jansenville, Klipplaat, Waterford
EC104	Makana	Grahamstown, Alicedale, Riebeeck-East
EC105	Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans River, Alexandria, Bathurst
EC106	Sundays River Valley	Kirkwood, Addo, Paterson
EC107	Baviaans	Willowmore, Steytlerville
EC108	Kouga	Jeffreys Bay, Humansdorp, Hankey, Patensie, St Francis Bay, Thornhill, Loerie
EC109	Kou-Kamma	Joubertina, Kareedouw, Louterwater, Storms River, Clarkson, Coldstream
DC10	Cacadu DMA	Rietbron, Wolwefontein, Vondeling, Glenconner, Kleinpoort, Miller

Cacadu District Municipality has the largest number of Category “B” Municipalities in the country.

GEOGRAPHIC AREA



SOCIO-ECONOMIC DISTRICT PROFILE

The Cacadu District constitutes less than 5,3% (census 2001 stats) of the population of the Eastern Cape Province. The district is dominated by a Karoo landmass resulting in low population densities and scattered, small inland towns. There are higher densities along the coast and in urban centers.

The estimation of population numbers within the Cacadu District has been a contentious issue over the past number of years primarily due to the generally held opinion that Census 2001 figures are flawed within the Cacadu District. For example, a broad survey undertaken by the CDM as part of its water and sanitation backlog study estimated the population within Makana to be approximately double than that of the Census 2001 survey.

The survey undertaken as part of the water and sanitation backlog study varied per Local Municipality. The huge difference in Makana is attributed to the amount of informal settlements that are being established as a result of general urbanisation and farm evictions. These numbers are a particular concern as they have a direct impact on funding allocations of Government Grant Funding.

The difficulty with the above is that in the absence of a fully fledged, methodologically acceptable census, 2001 Census figures will continue to be utilised by government departments in the determination of grant allocations, etc. As such the CDM has attempted to illustrate a more updated picture of socio-economic issues within the District through the projection of Census 2001 figures utilising the Global Insight database. This does not deter from the fact that population numbers are in all likelihood understated within the Cacadu District.

In 2004, the Urban Economist Group contracted to develop a district economic growth and development strategy, estimated the population to be 438 800. The average growth rate of the Cacadu District is estimated at 2%, which is higher than the Provincial and National growth rates, estimated at 1.4% and 1.3% respectively. As such government funding bodies should bear in mind the figures as illustrated in the table below when determining their respective allocations to Local Municipalities.

Local Municipality	Main Settlements	Comparable Statistics		
		Census (2001)	LM Survey (2005)	Global Insight (2007)
Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda	44 366	51 601	44 352
Blue Crane	Somerset East, Cookhouse, Pearston	36 384	36 798	36 107
Ikwezi	Jansenville, Klipplaat, Waterford	10 366	9 144	10 423
Makana	Grahamstown, Alicedale, Riebeeck-East	74 527	140 120	74 561
Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans River, Alexandria	55 471	58 927	64 671
SRV	Kirkwood, Addo, Paterson	41 464	61 003	37 384
Baviaans	Willowmore, Steytlerville	15 338	16 522	15 686
Kouga	Jeffreys Bay, Humansdorp, Hankey, Patensie, St Francis	70 482	88 254	80 459
Koukamma	Joubertina, Kareedouw, Louterwater	34 289	45 464	40 674
ECDMA 10	Rietbron, Wolwefontein, Vondeling, Glenconner	6 531	2 192	8 638
TOTAL		389 296	510 025	412 956

The population in the Cacadu District is concentrated in Makana, Kouga and Ndlambe, with more than 50% of residents in the District residing in these Municipalities. The remaining Municipalities all have less than 50 000 inhabitants per Municipality.

Unemployment in the Cacadu District is estimated at 52 036 (20.5%), as per census 2001 figures. Between 1996 and 2001, employment increased slightly by (2 490) whilst the number of the unemployed increased significantly (6 047). Slow job growth and the increase in the number of job-seekers will lead to a decline in the ability of residents to pay for services and a proportional increase in the need for indigent support and subsidies.

Due to its rural nature the largest proportion of the population in the Cacadu District is employed in the Agriculture sector. There has also been a significant growth in the Tourism sector with resultant employment opportunities.

In the DMA, the majority of the population are farm workers who are seasonally employed. This group of people is mobile and will seasonally migrate in pursuit of work opportunities as far as the Western and Northern Cape.

MAJOR EVENTS AND ISSUES WHICH AFFECTED THE WORKING ENVIRONMENT DURING THE YEAR

- Provincialisation of Primary Health Care Service from 1 January 2011
- Preparation of Municipal Turn Around Strategies
- Provincial Executive Committee Outreach to Cacadu District
- Review of organizational structure : Finance and Corporate Services Dept
- Decision taken to move Head Office to Kirkwood
- Disestablishment of KDA and decision to establish District Development Agency
- Municipal Elections : Inauguration of new Mayor and Councillors
- Disestablishment of the DMA
- Loss of MIG funding
- Review of Cacadu District Strategic Plan

EXECUTIVE SUMMARY

The year under review is the fourth year of a five year plan in implementing the Cacadu District Municipality's development priorities. The four priorities which the Cacadu District Municipality Council has adopted as part of its integrated development plan are infrastructure investment, capacity building and support to local municipalities, promoting economic development, as well as the provision of community services.

This Annual Report has been prepared in accordance with the guidelines issued by National Treasury. The guidelines require that the performance of the municipality be reported in functional areas. An overview of each functional area with a description of the activity is presented. In addition, the strategic objectives of each function as well as priorities and progress on such priorities, is highlighted. This executive summary will focus on the salient issues from the functional areas and the development priorities.

The Cacadu District spans an area of 60 000 square kilometers. It includes nine local municipalities and District Management Areas. The local municipalities are responsible for most infrastructure, as these functions have been adjusted or assigned to them. The Provincial Government is responsible for the roads infrastructure, and in certain areas, Eskom supplies electricity. The Cacadu District Municipality is however responsible for all services in the District Management Areas. This is the final year that the Cacadu District Municipality was responsible for services in the District Management Areas. After the Local Government elections in May 2011, the District Management Areas were disestablished and incorporated as part of the Local Municipality areas. However, from a practical perspective, the Cacadu District Municipality continued with direct service provision until the end of June 2011.

All nine local municipalities are Water Service Authorities and providers. The Municipal Infrastructure Grant (MIG) therefore flows directly to them. However, in the period of review, the District Municipality continued to provide technical support to the local municipalities, and financed certain capital projects from its own resources. The focus was primarily on water, sanitation and internal roads and stormwater. Major projects included the sanitation project and a water treatment plant in Nieu Bethesda, the rising main between Port Alfred and Bathurst, a sanitation project in Grahamstown, bulk water supply to Seven Fountains, rainwater harvesting project in Pearston, Trappes Valley and other parts of Ndlambe. Other significant projects included a Roads and Stormwater Masterplan for Somerset East, as well as implementation of Phase 1 of the project, an operation and maintenance study in Kouga Municipality, and augmentation of water schemes in all District Management Areas settlements. Unfortunately, due to a variety of factors, very little progress was achieved on the shared services model on water provision in the District.

In the period of review, the Cacadu District Municipality commenced with a multi-year expanded public works project in Rietbron. This project will deal with the internal infrastructure, and this phase will run for roughly three years. Job Creation is an integral part of this initiative.

The District did not implement any housing projects. The focus was to finalize the transfer of houses to beneficiaries from prior projects. Very little success was achieved on the transfer process.

In addition, the Cacadu District Municipality assisted most municipalities with planning and feasibility studies. Technical and financial assistance was again provided to all nine municipalities to compile their Integrated Development Plans. The District Municipality also assisted municipalities with town planning projects, as well as maintenance backlog assessments.

In other areas of support and capacity building, the District Municipality embarked on several initiatives. A major project that continued throughout the District was the development of Rules and Orders, which included a system of delegations, as well as the compilation of some bylaws.

Other significant projects included financial assistance to all municipalities to develop performance management systems, the commencement of a GRAP compliant AFS project and Finance Management Improvement Project, human resource policies, as well as the development and enhancement of public participation policies of four local municipalities.

The District Municipality again provided support to local municipalities in the area of youth development, women empowerment and assisting people with disabilities. The process of setting up and reviving forums for all marginalized groups was also initiated. Additional assistance was provided to local municipalities in respect of the celebration of special events and commemoration days, which were crucial for social cohesion and community development. The Cacadu District Municipality continued to champion the fight against HIV and AIDS by assisting the local AIDS Councils, as well as embarking on Education and Awareness programmes in many parts of the District.

In the previous Annual Report, it was highlighted that the Cacadu District Municipality had undertaken a Section 78 Assessment on fire services in the District. In the period of review, the Cacadu District Municipality engaged local municipalities to ensure an integrated fire service whereby local municipalities are able to deal with all cases of fire fighting. This process will be finalized in the 2011/12 financial year. This integrated approach will result in substantial funding from the Cacadu District Municipality. During the year under consideration, the District Municipality assisted local municipalities with the supply of fire tenders and vehicles, specialized equipment, hazardous material trailers, as well as the training of their personnel. The project of the standardization of fire hydrants across the District also commenced.

In Disaster Management, all local municipalities were assisted with contingency and disaster plans. In addition, the Cacadu District Municipality commissioned and installed a Disaster Management Information System in its Head Office, as well as in four local municipalities. In the severe flooding that occurred in June 2010 that affected four municipalities, communities were assisted with emergency supplies and other provisions.

In the area of Economic Development, the most notable achievement was the consolidation of the Rural Economic Development Initiative (REDI) with the Development Bank of Southern Africa (DBSA). The DBSA has provided technical support and funding through this partnership with the Cacadu District Municipality. The District Municipality was successful in mobilizing the stakeholders in the Renewable Energy Sector and has facilitated a co-ordinating structure to take forward various initiatives in the Renewable Energy field. A District wide Land Use and Locational Policy Framework was developed. Renewable energy is one sector where the Cacadu District has a distinct advantage, and several projects are anticipated in the foreseeable future.

Other achievements from the REDI included the completion of a study on the identification of niche agro processing opportunities, various natural fibre initiatives, the aquaculture project in Camdeboo and an assessment of the social economy of the District.

The Agricultural Mentoring project has commenced. Phase 1 comprises of 5 farms, whereby beneficiaries are mentored and developed to become fully fledged farmers. Phase 2 will commence in the 2011/12 financial year. The District Municipality is grateful for the support it receives from the German Aid Agency (GIZ) in this regard.

Unfortunately, the progress on projects funded by the Province in local municipality areas, has been very slow. This was due to a combination of inhouse capacity constraints, as well as poorly conceived applications by local municipalities for funding.

The District Support Team is a co-ordinating structure that fosters learning, best practices, information sharing and capacity development. The District Municipality has been pivotal in driving the structure, whose membership comprises of local municipalities and key sector departments. This has resulted in better capacitated practitioners and Councillors. The District Municipality uses SEDA to provide support to small, medium and micro enterprises. However, more attention needs to be focused here, to ensure that SMMEs, including co-operatives, are established and that they thrive and compete.

With the exception of the Rietbron Craft initiative which was a success, projects in the District Management Area have been lagging. The Council took a decision to disestablish the Kouga Development Agency. A similar decision was taken by Kouga Local Municipality, the other parent municipality. The primary reason for the decision was the slow progress made by the Agency. It is anticipated that following a due diligence on the Agency, the Agency will be finally disestablished in 2011/12.

The other development Agency in the District (the Blue Crane Development Agency) received funding support for a tourism hub, and other support as well.

The District Municipality continues to market its region through the Seven Wonders brand, which has received huge acclaim. In addition, local municipalities were supported with Tourism development project funding. Festivals in the District and Local Tourism Organizations were also financially supported. A key programme was to fund the development and skilling of young people, through the Umzi Wethu project, for employment in the game reserve industry.

Primary Health Care is a Provincial competence. The District Municipality rendered this service as an agent of the Province. In the previous Annual Report, the intention to provincialize the service was highlighted. This was as a result of a decision taken by the previous National Minister of Health and the MECs for Health, that the Primary Health Care service across the country must be provincialized. On 31 December 2010, the Agency Agreement between the Provincial Government and the Cacadu District Municipality officially ended and the service reverted to the Province on 1 January 2011. In terms of the provincialization agreement, all 168 staff were transferred to the Province, as well as all clinic buildings and assets. The Cacadu District Municipality, as part of the agreement with Province, ensured that the staff retained all benefits that they had previously enjoyed with the District Municipality.

In the six months period, the District Municipality rendered the Primary Health Care service predominantly in the smaller towns and rural parts of the District. The service was rendered at 25 fixed clinics (clinics that operate 5 days per week), at satellite clinics that operate on certain days of the week, as well as from 27 mobile clinics. Each mobile clinic traverses multiple routes per week to ensure that all communities in the District receive the service. A full range of services is rendered at each point. These include maternal and child health care services, services to combat and control communicable diseases, including tuberculosis, the provision of curative services to combat noncommunicable diseases, as well as the provision of essential medicines. Each and every service point also provided HIV and AIDS Awareness programmes, counselling and testing. Some of the set clinics were also accredited to dispense anti-retrovirals. Notwithstanding the Provincialization, the District Municipality upgraded several of the clinics in the period of review. Some of these projects will only be finalized though in 2011/2012.

Environmental Health is the competence of the District Municipality. Six of the local municipalities render the service as agents of the District Municipality. This arrangement is guided by a Service Level Agreement. The District Municipality rendered a service in the three remaining municipalities (Koukamma, Ikwezi and Baviana), as well as the District Management Area. Water quality testing remains a key priority, and despite problems encountered in some of the municipalities, the quality of water in the District is consistently very good.

The District Municipality continues to invest in libraries in all municipalities. The Connect with Cacadu project continued to be rolled out whereby an additional 10 libraries were provided with free internet and email services, as well as a range of educational material and other tools. This brings the total number of libraries connected to the system to 34. This project will continue to receive attention again in 2011/12. The Provincial Government has provided a generous subsidy to assist local municipalities in the library service. The bulk of the funding was utilized to upgrade the libraries and provide additional equipment. Unfortunately, spending by local municipalities has been slow and the construction of libraries did not take place at the desired pace, due to certain challenges encountered at local municipality level. This matter is receiving ongoing attention.

The Speaker of Council has been very active in community engagement and feedback, especially with the farming community and the District Management Area settlements. Furthermore, the Speaker has been actively leading public participation support programmes, including policy development and financial assistance to local municipalities. Good governance at local municipality level continues to be a priority and the Speaker has been actively promoting this tangibly through various programmes. The Moral Regeneration Movement embarked on several campaigns under the leadership of the Speaker, and very notable successes were achieved.

The District Municipality has good governance and internal control systems in place and this is evidenced by a lack of negative publicity of the institution.

With the provincialization of Primary Health Care, the staff number at 30 June 2011 stood at 79. Of this number 51% were females. HDIs constituted 83% of the workforce. The District Municipality has a workplace skills plan in place and it continues to invest in the training and development of its staff.

FINANCIAL PERFORMANCE

The Council incurred a deficit of R15,0 million in the 2010/11 financial year (compared with a deficit of R14,2 million in 2009/10). Income for the year amounted to R205,0 million whilst expenditure stood at R219,1 million.

Income for the 2010/11 financial year is substantially down from the R317,6 million in the previous year. The main reason for this can be attributed to a significant reduction of government grants and subsidies from R281,2 million in the previous year, to R176,4 million in the current year. Interest income also reduced from R30,8 million to R23,0 million.

The equitable share and levy replacement grant received for the 2010/11 financial year was R69,4 million. This is an increase from the R63,6 million in the previous financial year.

Income received from the Provincial Government to render the Primary Health Care function for the six month period ending 31 December 2010 was R21,4 million.

The significant reduction in Government grants and subsidies to the District Municipality, resulted in reduced expenditure in the order of R219,1 million (down from the R320,2 million of the previous year). The unappropriated surplus at 30 June 2011 stood at R160,9 million (R176,8 million in 2009/10).

The District Municipality is totally dependent on Government grants and subsidies to fund its operations and finance projects and programmes. Due to socio-economic pressures that exist in the local municipality areas, the District Municipality augments its income with contributions from its accumulated surplus, as well as interest earnings. Clearly, this financing method is unsustainable.

A continual challenge is to secure additional funding to finance projects, and this will become a key focus area over the next few years.

The Council has outsourced its internal audit function. This is regarded as the most effective model to ensure independence and credibility of the function.

It is gratifying to note that the District Municipality has again attained an unqualified audit opinion. This is a tremendous achievement, of which we are very proud.

I would like to express my sincere appreciation to the current and former leadership, the Council, the Executive Mayor, the Speaker and the Mayoral Committee for their support and guidance throughout the year. The results have been achieved through a solid team effort, and I am grateful for the support of the Management Team and the staff in achieving our goals.

TED PILLAY
MUNICIPAL MANAGER

PART 2

KPA ACHIEVEMENT REPORTS

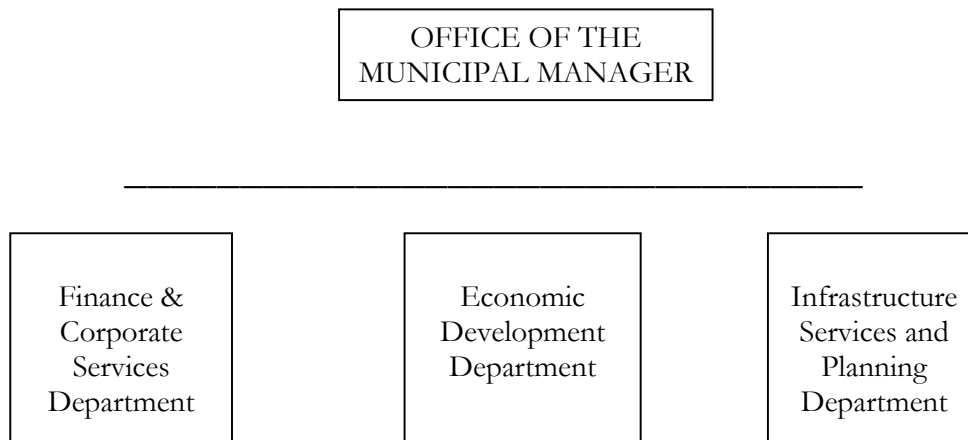
CHAPTER 1 : ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (KPA 1)

PRESENTATION OF THE ORGANISATIONAL STRUCTURE

The total number of approved posts of the Cacadu District Municipality as at 30 June 2011 is 99. The number of appointed staff is 79 and the number of staff vacancies is 20. (Before transfer of the Primary Health Care staff to the Eastern Cape Provincial Department of Health, there were 306 approved posts, 232 appointed staff and 74 vacant posts.) The Macro Organisational Structure is attached as an Annexure to the Annual report - see Page 187.

All four performance agreements and employment contracts (Municipal Manager and three section 57 managers) were submitted to the Department of Local Government and Traditional Affairs within the prescribed time.

ADMINISTRATIVE STRUCTURE



MUNICIPAL MANAGER

Mr D M (Ted) Pillay

DIRECTOR : FINANCE AND CORPORATE SERVICES

Mr D de Lange

DIRECTOR : INFRASTRUCTURE SERVICES

Mr L Nama to 30 March 2011

DIRECTOR : ECONOMIC DEVELOPMENT

Vacant

GRADING OF LOCAL AUTHORITY

Grade 5

STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR**TRAINING COURSES ATTENDED BY OFFICIALS AND COUNCILORS**

NO	QUALIFICATION	TOTAL NUMBER BENEFITED
1	Introduction to Multiuser Geodatabase	1
2	Nursing Management	9
3	Manage Labour Intensive Construction	1
4	Batho Pele	28
5	Procurement Municipal Environment	3
6	Employment Equity	16
7	AARTO	11
8	Record Disposal Training	2
9	Vat	9
10	Wellness in the Workplace	2
11	Municipal Finance	2
12	Estimating in Construction & Project Management	2
13	Project Management	2
14	Asset Management	4
15	Office Application	13
16	Skills Development Training	4
17	Report Writing and Minute Taking	8
18	Leadership innovation and Change Management	2
19	Taxation for Councillors	2
20	Public Speaking	26
21	Technical Report writing for Engineers & Construction Technicians	2
22	Time Management	10
23	Management skills for 21 st Century	2
24	Apply Selected Grap to Periodic Accounting Report Process	2
25	Advanced Transport,Fuel,Maintanance and Fleet Strategic Planning	6
26	Presidential Hotline System	1
27	Customer Care	6
28	Conflict Resolution Skills and Strategies	3

STUDY ASSISTANCE AND COUNCIL INITIATED EMPLOYEE DEVELOPMENT

NO	QUALIFICATION	TOTAL NUMBER BENEFITED
1	Diploma in Management	1
2	Diploma in Local Government Law and Administration	3
3	Certificate in Public Management Development (CPMD)	1
4	Municipal Finance Management Development Programme [MFMDP]	1
5	Certificate in Local Government Law and Administration	2

LEARNERSHIPS FOR OFFICIALS (LOCAL GOVERNMENT ACCOUNTING CERTIFICATE NQF LEVEL 3)

NO	MUNICIPALITY	TOTAL NUMBER BENEFITED
1	KOUKAMMA	6
2	CAMDEBOO	4
3	KOUGA	10
4	SUNDAYS RIVER VALLEY	8

WORKPLACE SKILLS PLAN

A Workplace Skills Plan for 2010/2011 was adopted as the continuation of the 2009/2011 and implemented from the new budget allocations.

KEY HR STATISTICS PER FUNCTIONAL AREA

Full time staff complement per functional area

Section 57 and Municipal Manager

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	None
2	Director: Finance and Corporate Services	1	1	None
3	Director: Economic Development	1	0	1 *
4	Director: Infrastructure Services and Planning	1	0	1 *
5	Director : Health Services	1	1	None
	Total	5	3	2

***these vacancies were filled in October/November 2011**

Office of the Municipal Manager

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager : Capacity Building	1	1	None
2	Senior PMS Officer	1	1	None
3	Senior Admin Officer	2	2	None
4	Special Programmes Officer	1	0	1
5	HIV and Aids Co-ordinator	1	0	1
6	Personal Assistant	3	3	None
	Total	9	7	2

Water and Sanitation

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Water and Sanitation	1	1	None
2	Technician	2	1	1
	Total	3	2	1

Electricity - CDM does not provide electricity. Electricity in the District is provided by local municipalities through Eskom.

Health (until 31 December 2010 when staff were transferred to ECDOH)

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
	Director : Health Services	1	1	None
1	Manager:Primary Health Care Services	1	1	None
2	<u>Head Office Admin Support</u>			
	CPN : Administration	1	1	None
	Personal Assistant	1	1	None
	Typist Clerks	2	2	None
	Clerks	2	2	None
3	Chief Professional Nurses	3	3	None
4	Senior Professional Nurses	10	9	1
5	Professional Nurses	94	59	35
6	Enrolled and ENA	10	10	None
7	Lower Level Category	82	64	18
8	Total	207	153	54

Housing

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Housing Co-ordinator	1	1	None

Transport

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Roads and Transport	1	1	None
2	Technician	1	0	1
	Total	2	1	1

Finance

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Finance	1	1	None
2	Senior Accountants	3	2	1
3	Accountant	1	1	None
4	Assistant Accountant	1	1	None
5	Senior Buyer	1	1	None
6	Finance Senior Clerk	1	1	None
7	Debtors Clerk	1	1	None
8	Creditors Clerk	2	1	1
9	Fleet / Asset Management Clerk	1	1	None
10	Finance Archives Clerk	1	1	None
11	Finance Clerks	2	0	2
12	Personal Assistant	1	1	None
14	Total	16	12	4

Corporate Services

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Corporate Services	1	1	None
2	Legal Officer	1	1	None
3	Senior Human Resources Officer	1	1	None
4	Skills Development Facilitator	1	1	None
5	Human Resources Administrator	1	1	None
6	Public Relations Officer	1	1	None
7	Senior Administrative Officer	1	1	None
8	Administration Officers	3	3	None
9	Senior Archives Clerk	1	1	None
10	Archives Clerks	3	3	None
11	Print Room Operator	1	1	None
12	Messenger	1	1	None
13	General Workers [Tea Services]	3	3	None
14	District Management Area: Manager	1	1	None
15	Assistant administration and	1	1	None

	Librarian			
16	General Workers [Cleaning and sanitation]	6	6	None
17	Typist Clerk	1	0	1
	Total	28	27	1

Economic Development

No	Approved positions (Ex: Managers/Asst. Managers)	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Tourism and Marketing	1	1	None
2	Manager: Local Economic Development	1	1	None
3	Manager: Trade and Investment	1	0	1
4	Administration Officer	1	1	None
5	Personal Assistant	1	1	None
6	Tourism Officer	1	0	1
	Total	6	4	2

Planning Unit

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Head : Planning Unit	1	1	None
2	Development Planner	2	2	None
3	GIS Specialist	1	1	None
4	Town Planner	1	0	1
	Total	5	4	1

Project Management

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Project Manager	1	1	None
2	Senior Technician	2	1	1
3	Building Inspector	1	1	None
	Total	4	3	1

Infrastructure Admin Support

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Personal Assistant	1	1	None
2	Senior Clerk	1	1	None
3	Typist	2	2	None
	Total	4	4	None

Municipal Health

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager	1	1	None
2	Environmental Health Officer	2	2	None
	Total	3	3	None

Disaster Management and Fire Service

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Head : Disaster Management	1	1	None
2	Manager : Operations	1	1	None
3	Manager : Communications and Training	1	1	None
4	Satellite Officers	4	3	1
5	Control room operators	4	4	None
6	Fire Officer	1	1	None
7	Reservists	7	7	None
	Total	19	18	1

TECHNICAL STAFF REGISTERED WITH PROFESSIONAL BODIES

Technical Service	Total number of technical service managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
1	3	3	None	None

LEVEL OF EDUCATION AND SKILLS

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professional training
246	32	60	154

TRENDS ON TOTAL PERSONNEL EXPENDITURE

Years	Total number of staff	Total approved Budget	Personal expenditure (salary and salary related)	Percentage of expenditure
2006-2007	241	107 099 009	25 700 497	23,9
2007-2008	243	227 641 835	27 388 171	12,0
2008-2009	233	228 956 396	32 031 001	13,9
2009-2010	240	330 249 565	34 985 144	10,6
2010 - 2011	270	219 189 681	36 092 721	16,5

LIST OF PENSION AND MEDICAL AIDS TO WHICH EMPLOYEES BELONG

Names of pension fund	Number of members	Names of medical Aids	Number of members
Cape Joint Retirement Fund	29	Bonitas	23
Cape Joint Provident Fund	0	L.A. Health	66
		Hosmed	10
		SAMWU Med	4
		Key Health	7

SENIOR OFFICIALS' WAGES AND BENEFITS - this information is contained in the Annual Financial Statements

IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM

The Performance Management System (PMS) has been implemented and cascaded to all levels of staff in the organization. Performance assessments and reviews are held quarterly. The system was automated in March 2009.

**ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year
1	Vacancy rate for all approved and budgeted posts;	100%	90%	90%
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	100%	100%	100%
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	100%	85%	85%
4	Percentage of Managers in Technical Services with a professional qualification	100%	100%	100%
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	100%	100%	100%
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	100%	100%	100%
9	Percentage of councillors who attended skills development training within the current 5 year term	100%	85%	85%
10	Percentage of staff complement with disability	The National Employment Equity requirement is 5%	2%	2%
11	Percentage of female employees		81%	81%
12	Percentage of employees that are aged 35 or younger		65%	65%

MAJOR CHALLENGES AND REMEDIAL ACTIONS IN REGARD TO HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT

Challenges

- The long standing employee dissatisfaction with the implementation of the 2006 job evaluation results.
- Threats of Provincial and National strikes / protest by Municipal employees in respect of local government non service delivery.
- The interpretation by local shop stewards of the collective agreement concluded at a Provincial level.
- Internal "Wildcat" protest where employees demanded the results of the internal job evaluation process.
- Delays in finalizing reviews of HR policies due to labour requesting extended time to interrogate content with their constituencies.
- Staff issues relating to provincialisation of Primary Health Care Service.
- The involvement of labour on issues of candidate lists during municipal elections created delays in decision making regarding employee related matters.
- The high labour turnover statistics within the last quarter of the year under review.

Remedial Actions

- The long standing employee dissatisfaction regarding job evaluation results is being resolved by employing an independent service provider to deal with all matters related to job evaluations.
- Internal "wild cat strike" resulted in deductions from employees' salaries due to working hours lost whilst on strike
- Health Services staff were transferred to the Provincial department of Health in with effect from 1 January 2011.
- The outcome of service delivery protests led local government having to re-look at strategies to fast track service delivery.
- The high labour turnover statistics compelled the Municipality to develop strategies around retention of scarce skills and effective policies relating to employee development and empowerment.
- The strategy has been developed to fast track the consultation process on Human Resources policies by arranging mini workshops with labour unions prior to actual tabling of a specific policy in the Local Labour Forum.

CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

WATER SERVICES

Water services delivery strategy and main role-players:

Includes the co-ordination of water services development planning for the entire District, Development of Water Sources, Augmentation of Bulk Water Supply, lobbying for funding and water reticulation infrastructure projects in the District Management Area (DMA). Local Municipalities are the Water Services Authorities and Water Service Providers in the District.

The function is administered by the Department: Infrastructure Services & Planning and includes:

- Development Planning Co-ordination
- Assist local municipalities in developing the required Water Service Authority and Water Services Provider capacity.
- Water supply services in the DMA.

Strategic objective

To capacitate local municipalities in the District to provide every household within the District with access to at least a basic level of service and strive to provide an appropriate level of service.

Key issues for 2010/2011

- Completion of the Maintenance Backlog Assessment for the Kouga Municipality.
- Augmentation of Bulk Water Supply in Miller and Vondeling.
- Rainwater harvesting in Pearston (BCRM).
- Drought relief projects in Makana and Ndlambe municipalities.
- Assistance to Local Municipalities with pre-planning and feasibility studies on their projects.

Levels and standards in water services:

Except in the District Management Area, the District Municipality is not the Water Services Authority. The nine local municipalities are the Water Services Authorities in the District.

The planning and co-ordination is done by 1 Engineer. The water supply services in the DMA are administered by 1 DMA Manager, 1 Operator and 4 Workers who were also involved in the provision of other municipal services such as roads and streets, refuse removal etc. in the DMA.

Grants Received:

DWA: R9,7m
MIG: R7,11m

The bulk of the funding was for drought relief projects in Makana and Ndlambe municipal areas. The rest of the funding for projects was used rainwater harvesting in Pearston and augmentation of bulk water supply to Miller and Vondeling. Funds were also used for assisting local municipalities with pre-planning and feasibility studies on their MIG projects.

Annual performance as per key performance indicators in water services

No	Indicator name	Total number of households/customers expected to benefit	Previous years achievement level
1	Percentage of households with access to potable water	100%	100%
2	Percentage of indigent households with access to basic free potable water	100%	100%
3	Percentage of clinics with access to potable water	100%	100%
4	Percentage of schools with access to potable water	100%	100%
5	Percentage of households using buckets	0%	0%

Number of households reached: 412 (Rietbron and all Railway Settlements)

Major challenges in water services and remedial actions

Major challenges are the drought condition in the Cacadu District over the past few years, and aging and dilapidated infrastructure in local municipalities.

ELECTRICITY SERVICES**Electricity services delivery strategy and main role-players**

The Cacadu District Municipality is only responsible for energy supply to the DMA. Eskom is the service provider.

Level and standards in electricity services

The settlement of Rietbron is fully serviced. There is no electricity provided to the railway settlements.

SANITATION

Sanitation services delivery strategy and main role-players

Includes all activities related to sanitation services for the District. The sanitation function of the municipality is administered by the Department: Infrastructure Services and includes development planning and provision of sanitation services in the District Management Area.

The Strategic Objective of this function is to capacitate local municipalities to provide every household with a basic level of service.

Level and standards in sanitation services

Number of all personnel associated with the sanitation function: 1 Engineer

The sanitation services in the DMA are administered by a 1 DMA Manager, 1 Operator and 4 Workers, who are also involved in the provision of other municipal services such as roads and streets, refuse removal etc.

In the entire District, 51% of households have a full waterborne sanitation system.

Grants received: None

Annual performance as per key performance indicators in sanitation services

No	Indicator name	Total number of household/customer expected to benefit	Previous years achievement level
1	Percentage of households with access to sanitation services	100%	100%
2	Percentage of indigent households with access to free basic sanitation services	100%	100%
3	Percentage of clinics with access to sanitation services	100%	100%

Number of households reached: 412

Major challenges in sanitation services and remedial actions

Water shortages, and dilapidated infrastructure in local municipalities.

ROAD CONSTRUCTION AND MAINTENANCE

The District Municipality is not responsible for road construction and maintenance. SANRAL is responsible for National Roads and the Provincial Government for regional roads in the District. Roads within towns and settlements are the responsibility of local municipalities.

WASTE MANAGEMENT

Waste management services delivery strategy and main role-players

Includes all activities related to refuse removal, solid waste disposal and street cleaning.

The solid waste function of the Municipality is administered by the Department: Infrastructure Services & Planning and the Finance & Corporate Services Department and includes:

- Household refuse removal services in Rietbron.
- Provision of solid waste disposal sites serving all communities in the DMA.

The strategic objective of this function is to capacitate local municipalities to provide every household with a basic level of service.

Level and standards in waste management services

The personnel associated with the solid waste disposal function are:

1 x Environmental Health Practitioner	1 x DMA Manager
4 x Workers	1 x Operator

The above officials are also involved in the provision of other municipal services such as water, roads, sanitation, etc.

Number of households receiving regular refuses removal services: 334

Frequency of service: Weekly

Annual performance as per key performance indicators in waste management services

No	Indicator name	Total number of household/customer expected to benefit	Previous years achievement level
1	Percentage of households with access to refuse removal services	81%	81%
2	Percentage of DM with waste management plan	100%	100%
3	Percentage of municipal landfills in compliance with Environmental conservation Act	N/A	N/A

Number of households reached at Rietbron: 334

Number of households reached at railway settlements
Glenconner, Kleinpoort, Wolwefontein,
Miller & Vondeling: 78 (only waste cells provided)

Major challenges in waste management services and remedial actions:

Geographic spread of the area.

HOUSING AND TOWN PLANNING

Housing - not applicable: The District Municipality is not a housing authority. In the District, the local municipalities perform this function with funding from the Provincial Government.

General town planning support is provided to Local Municipalities. Furthermore, the Cacadu District Municipality has entered into an agreement with the Baviaans Local Municipality and the Makana Local Municipality to officially assist those municipalities with the processing of land use management applications.

SPATIAL PLANNING

The District Municipality reviews its SDF, in-house, on an annual basis in conjunction with the IDP processes. The CDMs SDF guides the formulation and / or review of Local Municipality SDFs.

INDIGENT POLICY IMPLEMENTATION

Preparation and approval process of the indigent policy

The Municipality has an approved Indigent Policy, which came into effect July 2006. The Policy is reviewed annually.

The Policy provides for the following Free Basic services for (persons who qualify):

- Water: 100% subsidy up to 6 kl per household per month
- Electricity: 100% subsidy up to 50 kWh per household per month
- Property Rates: 100% rebate (effective 1 July 2009)

Implementation of the policy

The Indigent Policy requires that persons apply to the Municipality to register on the indigent database. The database was updated and implemented 1 July 2009.

OVERALL SERVICE DELIVERY BACKLOGS

NOTE: The reference on pages 5 and 6 to flawed population figures is also relevant here.

Access to water

	Water on site		Community Stand		Borehole/tank		Natural water/dam		Water vendor/other	
	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006
	%	%	%	%	%	%	%	%	%	%
Eastern Cape	37.4	41.8	25.3	25.1	4.0	3.8	31.4	28	1.9	1.4
Cacadu DC	74.7	85.8	17.9	10.0	3.1	1.4	2.8	1.4	1.5	1.3
Camdeboo	91.0	98.4	8.2	1.6	0.2	0.0	0.2	0.0	0.4	0.0
Blue Crane	76.8	100.0	13.4	0.0	3.2	0.0	4.4	0.0	2.2	0.0
Ikwezi	91.0	83.1	7.6	0.0	0.5	12.9	0.2	0.0	0.7	4.0
Makana	76.2	76.5	19.0	16.5	2.3	2.5	1.7	1.6	0.9	2.9
Ndlambe	62.1	69.2	27.3	19.7	5.6	0.7	3.1	8.3	1.8	2.2
Sunday's River Valley	61.8	86.6	17.6	13.4	9.4	0.0	7.4	0.0	3.8	0.0
Baviaans	86.1	90.6	8.9	0.0	2.0	7.2	2.6	0.0	0.5	2.1
Kouga	75.2	83.6	22.4	15.3	0.4	0.0	0.8	0.0	1.1	1.1
Kou-Kamma	77.0	93.8	12.5	6.2	3.9	0.0	5.3	0.0	1.3	0.0
ECDMA10	73.0	79.4	24.3	8.3	1.6	8.2	0.9	4.1	0.1	0.0

Source : Population Census 2001 & Rapid Services Survey 2006

Access to Sanitation

	Flush toilet (connected to sewerage system)		Flush toilet (with septic tank)		Chemical toilet		Pit latrine with ventilation (VIP)		Pit latrine without ventilation		Bucket latrine		None	
	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Eastern Cape	30.9	31.1	2.2	1.3	2.0	0.6	5.6	7.2	23.1	33.9	5.6	4.0	30.6	21.8
Cacadu DC	40.3	67.8	11.1	3.5	0.8	0.0	5.3	0.1	16.2	4.9	14.3	14.5	12.0	9.3
Camdeboo	68.7	85.8	7.0	0.8	0.1	0.0	4.3	0.0	3.2	9.4	11.2	0.6	5.5	3.4
Blue Crane	47.1	74.2	4.1	0.0	2.5	0.0	1.4	0.0	8.0	0.0	20.1	25.8	16.7	0.0
Ikwezi	17.7	66.7	11.4	0.0	0.1	0.0	4.8	0.0	2.8	11.6	48.8	21.7	14.5	0.0
Makana	34.1	57.1	2.9	1.6	0.2	0.0	7.9	0.0	13.6	2.9	29.7	17.5	11.6	20.8
Ndlambe	24.3	44.7	27.3	4.7	0.5	0.0	5.8	0.7	28.0	0.7	0.6	17.0	13.6	32.2
Sunday's River Valley	24.0	58.8	4.8	0.0	1.6	0.0	8.7	0.0	40.7	28.5	6.5	12.7	13.7	0.0
Baviaans	30.3	34.8	21.7	14.5	0.4	0.0	5.8	0.0	11.4	0.0	19.0	47.5	11.3	3.2
Kouga	51.8	75.2	10.8	7.9	0.7	0.0	2.5	0.0	9.8	1.5	13.3	11.8	11.0	3.5
Kou-Kamma	50.6	88.8	12.3	5.0	1.3	0.0	5.1	0.0	15.5	0.0	5.5	6.2	9.8	0.0
ECDMA10	13.9	29.4	21.6	20.0	0.1	1.4	17.3	8.3	18.3	22.7	4.1	1.4	24.7	16.7

Source : Population Census 2001 & Rapid Services Survey 2006

CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

3.1 BRIEF PRESENTATION OF THE DISTRICT SMME STRATEGY/PLAN

Acknowledging the importance of SMME's, and responding to the challenges and opportunities spelt out in the Integrated Development Plan, the District-Wide Economic Growth and Development Strategy (EGDS), the District Growth and Development Summit, and the Provincial Growth and Development Plan, the Cacadu District Municipality commissioned an SMME assessment study that has resulted in a comprehensive SMME Development Strategy for the District.

Strategic Objectives

In order to achieve the SMME vision for the area, the following strategic goals and objectives have been identified as essential:

1. To improve access to market-driven and sustainable business development support services for the informal, micro, small and medium-sized enterprises in both urban and rural areas.
2. To strengthen the planning, coordination and institutional capacity for SMME support in the district thus ensuring the creation of an enabling and conducive environment for SMMEs.
3. To establish effective and functional partnerships with key provincial and national institutions, as well as escalating the promotion of the economic opportunities across the district.
4. To diversify the existing SMME development base through agriculture, environmental management, tourism and manufacturing development.
5. To increase women, youth and black participation in the entrepreneurial and SMME development sector of the District and its economy.
6. To increase the number of start-ups, and the number of existing enterprises that accelerate beyond survivalist stage.

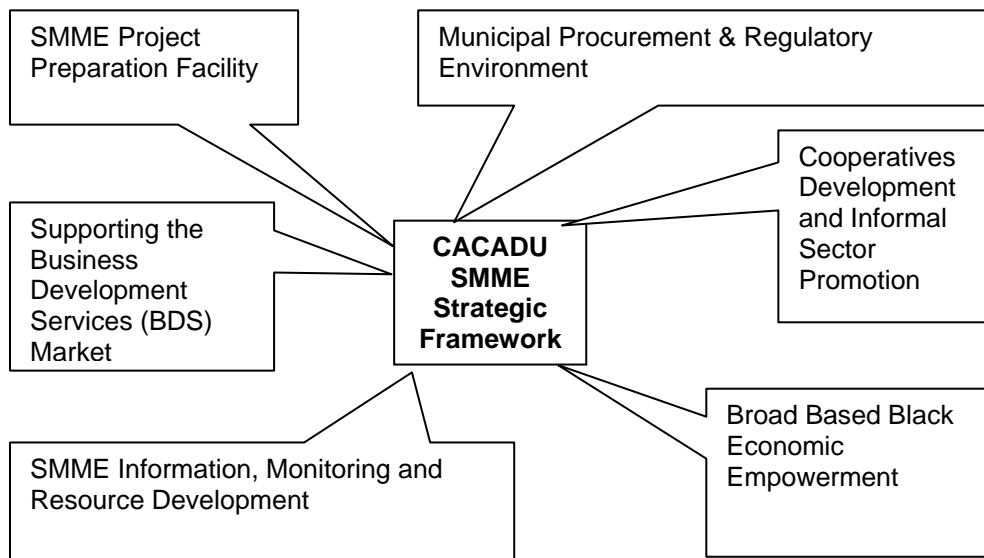
These strategic objectives set out a performance measure for this SMME Strategy and are generally congruent with those set-out in the Provincial Growth and Development Plan of the Eastern Cape, which seeks to increase the number of start-ups and boost the growth prospects of existing enterprises in the district.

Strategic Pillars for SMME Development in Cacadu

Having identified the objectives, it is imperative to now focus on the strategic pillars that anchor the Cacadu SMME Development Strategy.

A ***strategic pillar*** defines an area of priority focus. It has a collective economic force that can generate sufficient economic energy and momentum to create a series of sustainable opportunities to achieve short, medium and long-term objectives of any strategy.

The figure below focuses on the strategic priority areas that, based on research and analysis, will unlock the potential of the SMME sector and enable significant contributions towards pushing back the frontiers of poverty and inequality in Cacadu.



Strengthening LED Capacity at Local Municipal Level : LED District Support Team

The Eastern Cape Department of Economic Development and Environmental Affairs (DEDEA), the Department of Cooperative Governance and Traditional Affairs [DCGTA] (formerly Local Government and Traditional Affairs [DLGTA]), together with Municipalities in the Province, have since 2008 been leading an effort to consolidate an integrated, better-coordinated and more effective local economic development (LED) support system in the Province. While started by the aforementioned institutional partners, the initiative has also involved the Eastern Cape Development Corporation (ECDC), the Department of Agriculture and Rural Development, the Department of Social Development, as well as other public sector institutions, CSIR and SEDA (at Cacadu). Towards the goal stated above, discussion among these institutional partners has, among other outcomes, conceived of a multi-layered LED planning and support system that will function at various levels of the public system.

The scope of work and modus operandi will be gradually developed as the experience of the DSTs evolves, and the reflection thereon calls for appropriate revisions and other relevant development. The DST's tasks will mainly centre around planning facilitation and support, implementation support and communication/reporting. Focus areas are:

- LED Understanding
- Socio-Economic Intelligence
- Programme and Project Development and Management.

3.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES

3.2.1 Led Initiative in Partnership with the Development Bank of Southern Africa (DBSA)

Background and Context

The Cacadu Local Economic Development Initiative (LEDI) is a partnership between Cacadu District Municipality, the Development Bank of Southern Africa (DBSA) and other major stakeholders in our region aimed at identifying and unlocking economic potential. The idea is to build a strong strategic relationship between municipality, local and regional stakeholders aimed at catalysing an economic turn-around.

The Development Bank of Southern Africa (DBSA) is the initiator of the programme and primary initial funder. Cacadu District Municipality is one of three pilot LEDI, or local economic development initiative, sites in the country, together with Ugu District Municipality in Kwa-Zulu Natal and Theewaterskloof Local Municipality in the Western Cape, all distinct in character and economic potential.

The main reasons for Cacadu's selection as a pilot includes the following:

- CDM has great economic potential flowing from its strategic location, proximity to NMBM and Coega, the positioning of its economic sectors, its natural assets and its potential to be a centre of niche innovation
- The potential is not being realised due to the lack of a coherent common effort and absence of a widely shared, inspirational and coherent strategy
- Relatively weak economic growth over past decade, decline in some important sectors – spare capacity as base for accelerated growth
- Sound governance arrangements
- The growth potential can be used to leverage significant empowerment and land reform

Key Elements of the LEDI

Programme Objective

- Developing a bold, credible and robust strategy for economic turn-around and shared prosperity;
- Consolidating a portfolio of high impact strategic projects that can give effect to the strategy and that have the potential to leverage significant additional private and public investment;
- Creating confidence, sound relationships and strong social capital as a foundation for development progress. In particular, building productive relationships between established commercial and agricultural interests with government and emerging farmers and entrepreneurs is seen as critical;

- Building solid institutional arrangements, including more capacitated municipalities, to support a sustained programme of growth and development.

Progress to date

On the 22 June 2009 the DBSA Development Fund approved a technical assistance grant to the maximum amount of R7,800,000.00 (seven million eight hundred thousand Rand) as a contribution towards the costs of the DBSA/CACADU LED Initiative.

Areas of intervention, as shown in the Table below, include (i) agri-innovation in the areas of fibre, renewable energy and agri-tourism; (ii) strategy and institutional development, including the revision of the district's Economic Growth and Development Strategy and infrastructure investment assessments linked to a municipal finance services model and (iii) technical support in the form of 3-year fixed contracts of a programme manager and process facilitator that will be working with the Department of Economic Development at Cacadu.

Intervention	Total amount
Agri-innovation project grant	R3,150,000
Strategy and institutional development	R2,600,000
LEDi project team grant	R2,050,000
Total	R7,800,000

3.2.2 Support to Agriculture

In 2010/11, the Cacadu District Municipality focused its effort in the agricultural sector on the development and implementation of an agricultural mentorship strategy. This strategy has been approved by Council and addresses the gap between the services rendered by the Departments of Rural Development and Land Reform and Rural Development and Agrarian Reform and the objective to empower emerging farmers to be able to run their farms as sustainable businesses and thus become commercial farmers. This is going to be achieved by a structured, long term knowledge transfer from successful commercial farmers to the emerging farmers.

The first phase, consisting in a number of pilot projects in different commodities and different Local Municipalities, served as an initial test to verify if the strategy as developed is practically applicable. The projects are:

- Red meat at Rockville farm, Ndlambe Local Municipality
- Tomatoes at Klipplaat Hidroponic Village, Ikwezi Local Municipality
- Mohair at Uitkomst, Ikwezi Local Municipality
- Essential oils at Woodlands, Kou-Kamma Local Municipality
- Pig production at Aberdeen piggery, Camdeboo Local Municipality

During this phase, valuable experience has been gained and important strategic alliances have been established for the second phase.

The objective of the second phase is the rolling out of the strategy throughout the whole District, involving the recently established local agricultural commodity groups and enabling them to manage the mentorship program in the future. Agricultural commodity groups have been approached in 8 of the 9 local municipalities, with the exception of Makana, where the local agricultural commodity group is not yet

established, and agreements have been reached about the role of these groups in the mentorship programme. This role comprises:

1. the identification of suitable emerging farmers projects for mentorship
2. the formulation of Terms of Reference for the mentorship in each project
3. the selection of an appropriate mentor for each project
4. the monitoring and evaluation of the mentorship in each project

The whole process, although driven by the Cacadu District Municipality, is based on the very close cooperation with and participation of the Department of Rural Development and Agrarian Reform, the respective Local Municipalities and the commercial farmers and their organizations.

All the stakeholders so far welcomed and actively support this initiative which will make a significant contribution to food security, economic development and job creation in the area of the Cacadu District Municipality.

3.2.3 Support to Tourism

3.2.3.1 Achievements in Tourism

Cacadu District Municipality completed its Tourism Master Plan (TMP) in 2009. This is the first time that the District has mapped out the strategic direction for tourism growth and development. The TMP is the culmination of the development or review of Responsible Tourism Sector Plans in each of the nine local municipalities located within the district.

One of the first steps in the development of the tourism industry in the district is the configuration of appropriate institutional arrangements. The TMP recommends the establishment of local tourism organisations (LTO) in each of the nine local municipalities. An LTO is a partnership between local government and the private sector that seeks to grow the tourism industry by increasing the number of tourists and in doing so increases the economic benefits of tourism to the region as a whole. To date LTOs have been established in Bavianaans, Camdeboo, Kouga and Makana Municipalities. Blue Crane Route, Ikwezi and Sundays River Valley Municipalities are in the process of establishing their respective LTOs.

The establishment of LTOs not only creates a platform for dialogue between the district and local municipalities and tourism stakeholders in each area, but also puts in place steering teams for the implementation of tourism-related programmes and projects in each local municipality.

The TMP presents a spatial development plan which identifies areas of tourism potential for specific niche tourism development programmes and projects in various local municipalities. Niche markets which were identified in the Cacadu District Municipality as areas of tourism development potential include heritage tourism, nature-tourism, events tourism (including edu-tourism and sports tourism), agri-tourism, adventure tourism and coastal and marine tourism.

One of the first niche market tourism projects to be implemented is the development of an agri-tourism route in Sundays River Valley Municipality. This is one of the LEDI projects and will be implemented in collaboration with the newly formed LTO in Sundays River Valley Municipality.

3.2.3.2 Support to Local Tourism Organisations

The Cacadu District Municipality, in its Integrated Development Plan, committed to rendering financial support to local tourism organization located in the District. The primary aim of this support is to assist in efforts to market destinations within the district.

A local tourism organization may be defined as “an organization or association formed for the purpose of promoting tourism within a designated geographical area. A local tourism organization typically should have a constitution, an appointed board and management, have at least an annual general meeting and audited financial statements”.

To this end, the Cacadu District Municipality has strategically extended its commitment by supporting Bavians, Blue Crane Route, Camdeboo and Ikwezi Local Tourism Organisations. It remains important for the District to provide funding to these organizations to continue to promote important tourism nodes in the district, thereby increasing the number of tourists into the district.

3.2.3.3 Support to Festivals And Events

This year the District has provided financial support to 3 festivals and/or events on an ad hoc basis in accordance with its framework to provide financial support to key economic impact festivals:

- the National Arts Festival in 2010. Through the 2010 National Arts Festival’s “Cacadu ArtReach Project” the Festival was extended to corners of the Province and to communities that normally would be excluded from one of the world’s major events. Further, it enabled the Festival to position itself nationally as a tourist activity and assisted in creating economic benefit for the District as a whole during the winter months
- the Biltong Festival in its 21st year. This festival, with good with traditional South African fare, biltong, hundreds of interesting stalls for the shopping enthusiasts, and 20 of South Africa’s most popular entertainers, is very popular in the District
- the Kirkwood Wildlife Festival in June 2011.

3.2.3.4 Support to Tourism Education and Training

The Cacadu District Municipality has supported Wilderness Foundation (WF) as a conservation and leadership organization which is project-driven and strives to create opportunities for economic and social equality and achieves its mission by initiating and implementing programs, concentrated in four main areas: Conservation; Social Intervention; Advocacy and Awareness; and Experiential Education.

The CDM support to Umzi Wethu, a programme of Wilderness Foundation, is an outcome of a social intervention by WF in identifying a need to establish a training institution in the Blue Crane Route Municipality, to train students from the Cacadu District and place them in areas of employment in conservation and hospitality disciplines.

Wilderness Foundation operates two Umzi Wethu Academies that together have trained, graduated, and placed in jobs seven intakes of students since the programme's inception four years ago. The most recent two intakes graduated in mid July 2010.

3.2.3.5 Cacadu "7 Wonders of our World" campaign

The Cacadu District Municipality continued to roll-out its "Seven Wonders" campaign, in terms of which seven tourism destinations within the District were vigorously marketed. Consisting of Addo, Baviaans and the Gamtoos Valley, Grahamstown, Jeffreys Bay and St Francis, Karoo, Sunshine Coast and Tsitsikamma, the 7 wonders appeal to an array of interests, from extreme sports and history and culture to the natural environment, as well as in broad spectrum of leisure based activities.

As a result of the campaign, the CDM was nominated among the 2011 REBRAND 100® Global Awards Winners in the tourism sector.

This REBRAND 100® Award, which falls under the merit category, marks the highest recognition for excellence in brand positioning, and is the first and only global programme of its kind.

The goal for the Cacadu District Municipality was to create a tourism and trade brand that would promote the district as a tourism destination that attracts tourists, stimulates investment and promotes Cacadu as a District and not a government municipality.

3.2.3.6 Rapid Assessment of the Cacadu District Municipality Local Nature Reserves

Cacadu District Municipality undertook a rapid assessment of the (District) municipal nature reserves lying within the geographic boundary of the District. This rapid assessment included the following:

Establish the Status Quo of municipal nature reserves: a description of the current status of each municipal nature reserve, including, but not necessarily limited to:

- Ownership: the relevant legislation/ordinance in terms of proclamation and ownership ;
- Ecological features: the assessment included the current ecological state of the nature reserves and briefly outline the restoration required (if necessary) to realise the tourism potential (if any) of the municipal nature reserves;
- Infrastructure and other facilities: the assessment included an audit of all infrastructure and facilities, per municipal nature reserve, and the state of the infrastructure and facilities;
- Management structure: the report stated the current management structure, the effectiveness thereof in terms of conservation and tourism development and the resources (capital, operational and human resources) dedicated to each municipal nature reserve. In addition the assessment outlined recommendations on future management required to harness the tourism potential of the municipal nature reserves;

Spatial representation: The names and locations of the municipal nature reserves as per spatial presentation, including all other protected areas, i.e. national and provincial nature reserves;

Tourism Development Potential: The tourism development potential of each nature reserve was outlined and included at least a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis related to the tourism potential of each municipal nature reserve and potential partnerships

between other protected areas, where managed locally, provincially or nationally. In addition, the financial requirements to realise the tourism potential of the nature reserve were outlined.

Prioritisation of nature reserves: the municipal nature reserves were prioritised in terms of tourism potential *vis a vis* ecological restoration and financial requirements to realise the latent tourism potential.

3.3 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.	60%	5%	3%
2	Number of LED stakeholder forum meetings held	13 (REDI PSC meetings, DST meetings and LTO sessions)	60%	80%
3	Percentage of SMMEs that have benefited from a SMME support programme	250	1000 (Seda& CDM MOU)	60%
4	Number of job opportunities created through EPWP	28	46	164%
5	Number of job opportunities created through PPP	N/A		

3.4 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

a) **LED Governance :**

- Overlapping roles of sector departments
- Limited and/or ineffective LED leadership and stakeholder participation at both district and local municipal levels;
- Functional LED forums, business chambers and private-public dialogue platforms;
- Limited LED understanding by roleplayers

b) **LED Facilitation :**

- Capacity of LED Units;
- “Weak” LED strategies and implementation thereof;
- Quality of data used as well as analysis thereof;
- Improving the analysis of sectors, industries and localities;

- Refining of strategy focus areas to ensure alignment between LM and DM strategies ;
- Need to improve the quality of locality socio-economic intelligence to bolster local planning as well as investment decision-making;

c) LED initiatives and projects :

- Facilitation and project generation support for LED catalytic programmes and projects
- Need to improve the quality of current initiatives and projects;
- LED reduced to project implementation by government at both spheres.

d) Funding

CHAPTER 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

AUDITED FINANCIAL STATEMENTS (AFS)

The Audited Financial Statements for 2010/2011 financial year appear on page 41 to page 110.

BUDGET TO ACTUAL COMPARISON

Included in AFS as above

GRANTS AND TRANSFERS' SPENDING

Included in AFS as above

MEETING OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS

All conditions were met.

LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

During the financial year, the municipality has entered into the following long term contracts:

- KPMG was appointed as the municipality's internal auditors during 2009/2010. They will be responsible for the complete function of internal auditing and the contract is for a period of five years
- Suid Kaap Waardeerders were appointed as the valuers for the municipality's assets for three years of which two years remain.
- Impumulelo Computing was appointed in 2009/2010 to perform information technology management and related services for a period of 3 years.

ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage of expenditure on capital budget	7.0 mil	2.2 mil	31.6%
2	Salary budget as a percentage of the total operational budget	16.2%	16.7%	
3	Total actual trade creditors as a percentage of total actual revenue	0.0%	6.1%	
4	Total municipal own revenue as a percentage of the total actual budget	9.0%	12.2%	
5	Rate of municipal consumer debt reduction	0.0%	10.7%	
6	Percentage of MIG budget appropriately spent	9.6 mil	4.5 mil	46.7%
7	Percentage of MSIG budget appropriately spent	1.0 mil	0.5 mil	52.3%

AUDIT COMMITTEE FUNCTIONALITY

See report by Audit Committee attached as an Annexure on pages 190 to 194.

ARREARS IN PROPERTY RATES AND SERVICE CHARGES

Rates: Ageing

0-90 days	R0
+90 days	R0

R0

Services: Ageing

0-90 days	R0
+90 days	R0

R0

ANTI CORRUPTION STRATEGY

Council approved the Anti Corruption Strategy and Fraud Prevention Plan on 29 August 2007.

The members of the Anti –Fraud and Corruption Committee are:

- Chairperson of the Audit Committee or any other member of the Audit Committee should the chairperson not be available;
- Internal Auditor;
- Municipal Manager; and
- Departmental Heads

The Council also approved the Whistle Blowing Policy and guideline for Fraud and Corruption investigation.

The awareness campaign was launched in January 2009 and more awareness interventions are planned.

No cases of fraud or corruption were reported during the 2010/2011 financial year.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the group annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the group annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the group annual financial statements and were given unrestricted access to all financial records and related data.

The group annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The group annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Municipality to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the financial year and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the spectrum. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to June 30, 2012 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The group annual financial statements set out on page 42 - 110, which have been prepared on the going concern basis, were approved by the Accounting Officer on 09 December 2011 and signed hereunder.

DM Pillay
Municipal Manager
9/12/2011

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Short-term portion of long-term receivables	4	11,426	20,623
Trade and other receivables	5	524,357	97,443
Other receivables from non-exchange transactions	6	2,283,404	2,815,595
VAT receivable	7	4,388,839	4,352,189
Deposits paid	8	21,410	25,010
Cash and cash equivalents	9	305,967,946	366,704,581
		313,197,382	374,015,441
Non-Current Assets			
Investment property	10	14,253,500	13,170,500
Intangible assets	11	86,885	86,885
Property, plant and equipment	12	68,444,885	74,603,689
Long term Receivables	4	4,177	21,051
		82,789,447	87,882,125
Total Assets		395,986,829	461,897,566
Liabilities			
Current Liabilities			
Short-term portion of long-term liabilities	13	21,890	87,173
Deferred Income	14	85,572,447	135,529,395
Trade and other payables from exchange transactions	15	11,544,045	20,016,709
Provisions	16	460,275	407,556
Short-term portion of post-employment medical benefit	17	3,404,628	3,114,384
		101,003,285	159,155,217
Non-Current Liabilities			
Long-term liabilities	13	-	21,890
Long-term portion of post-employment medical benefit	17	55,770,367	51,158,088
		55,770,367	51,179,978
Total Liabilities		156,773,652	210,335,195
Total assets less liabilities		239,213,177	251,562,371
Net Assets			
Revaluation reserve	18	78,307,028	74,738,111
Unappropriated surplus	19	160,906,149	176,824,260
Total Net Assets		239,213,177	251,562,371

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Rental income		1,115,413	991,168
Tariffs and charges		263,394	239,970
Property rates		366,996	174,301
Government grants and subsidies	22	176,353,035	281,265,648
		178,098,838	282,671,087
Other income			
Fair value adjustments	10	1,083,000	-
Income from agency services		32,640	29,698
Other revenue	23	2,773,164	2,591,528
Reduction in provision for debt impairment		62,807	1,539,342
Investment interest		22,986,979	30,818,431
		26,938,590	34,978,999
Operating expenses			
Depreciation	12	(3,052,619)	(2,902,397)
Impairment	12	(1,447,316)	(1,955,690)
Discounting of post employment medical benefit	17	(4,650,930)	(5,695,008)
Actuarial loss on post employment medical benefit	17	(3,218,610)	(1,564,301)
Employee costs	24	(36,092,721)	(34,985,144)
Bulk purchases	27	(6,310)	(12,621)
Collection costs		(11,023)	(25,449)
Conditional grant expenditure	28	(100,971,595)	(211,688,220)
Other grants and subsidies paid	28	(9,929,553)	(13,660,646)
Contracted services		(3,241,827)	(3,173,393)
General expenses - other		(47,967,249)	(51,535,454)
Loss on derecognition of assets transferred		(7,205,544)	-
Loss on donation of assets		(260,110)	(2,099,003)
Repairs and maintenance		(1,034,981)	(952,239)
Bad debts written off		(99,293)	-
		(219,189,681)	(330,249,565)
Operating deficit		(14,152,253)	(12,599,479)
Fair value adjustments	10	-	(712,500)
Finance costs	26	(11,131)	(109,968)
Deficit from equity accounted investments		(864,000)	(800,000)
		(875,131)	(1,622,468)
Deficit for the year		(15,027,384)	(14,221,947)

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Statement of Changes in Net Assets

Figures in Rand	Notes	Revaluation reserve	Unappropriated surplus	Total net assets
Opening balance as previously reported		59,376,104	195,382,934	254,759,038
Adjustments				
Transfer impairment and depreciation previously recorded as net figure included in revaluations	29	11,936,235	(11,936,235)	-
Prior year adjustments	29	-	3,105,776	3,105,776
Balance at July 01, 2009 as restated		71,312,339	186,552,475	257,864,814
Changes in net assets				
Revaluations	12	2,347,428	-	2,347,428
Reversal of impairment previously in revaluations		1,078,344	-	1,078,344
Unappropriated Surplus of Primary Health Care transferred to CDM		-	5,005,850	5,005,850
Prior year adjustments		-	(512,118)	(512,118)
Net income (losses) recognised directly in net assets		3,425,772	4,493,732	7,919,504
Deficit for the year		-	(14,221,947)	(14,221,947)
Total recognised income and expenses for the year		3,425,772	(9,728,215)	(6,302,443)
Total changes		3,425,772	(9,728,215)	(6,302,443)
Balance at July 01, 2010		74,738,111	176,824,260	251,562,371
Changes in net assets				
Deficit for the year		-	(15,027,384)	(15,027,384)
Direct transfer from Dept of Health accumulated surplus		-	(890,727)	(890,727)
Revaluations	12	3,077,631	-	3,077,631
Impairment reversal		491,286	-	491,286
Total changes		3,568,917	(15,918,111)	(12,349,194)
Balance at June 30, 2011		78,307,028	160,906,149	239,213,177
Note(s)		18	19	

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Cash Flow Statement

Figures in Rand

	Note(s)	2011	2010
<u>Cash flows from operating activities</u>			
Receipts			
Cash receipts from customers		181,058,689	215,429,466
Interest income		22,986,979	30,818,431
		204,045,668	246,247,897
Payments			
Cash paid to suppliers and employees		(262,475,815)	(286,056,817)
Finance costs		(11,131)	(109,968)
		(262,486,946)	(286,166,785)
Net cash flows from operating activities	30	(58,441,278)	(39,918,888)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	12	(2,237,855)	(3,310,610)
Purchase of other intangible assets	11	-	(86,885)
Decrease in deposits		3,600	-
Decrease in long term receivables		26,071	30,863
Net cash flows from investing activities		(2,208,184)	(3,366,632)
<u>Cash flows from financing activities</u>			
Repayment of other financial liabilities		-	(4,442,018)
Finance lease payments		(87,173)	14,476
Net cash flows from financing activities		(87,173)	(4,427,542)
Net increase/(decrease) in cash and cash equivalents		(60,736,635)	(47,713,062)
Cash and cash equivalents at the beginning of the year		366,704,581	414,417,643
Cash and cash equivalents at the end of the year	9	305,967,946	366,704,581

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1. Reporting Entity

The Cacadu District Municipality (CDM) is a district municipality domiciled in South Africa. The registered address of the district municipality is 32 Govan Mbeki Avenue, Port Elizabeth. The Cacadu District Municipality is situated in the western portion of the Eastern Cape Province. It covers an area of 58 242 square kilometers. The area of the district municipality included the District Management Areas (DMA's) until the elections in May 2011, after which it was disestablished and incorporated into the various Local Municipalities.

The CDM's primary function is to support the development of a strong system of local government and service delivery across the district that meets the needs of our stakeholders - the Local Municipalities, residents and the private sector. The CDM is governed by the Municipal Finance Management Act, no. 56 of 2003, the Local Government: Municipal Systems Act, no. 32 of 2000 and the Local Government: Municipal Structures Act, no. 117 of 1998.

1.1 Basis of Preparation

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) and the International Public Sector Accounting Standards (IPSAS), where applicable, in terms of Directive Five including any interpretations of such Statements issued by the Accounting Practices Board.

The entity has elected to early adopt the principles of the following requirement(s) in GRAP:

GRAP 23 - Revenue from Non-Exchange Transactions (Taxes and Transfers) - The entire standard

Basis of Measurement

The financial statements have been prepared on the accrual basis except for Land and Buildings, which are revalued.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.1 Basis of Preparation (continued)

Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.2 **Presentation of currency**

These group annual financial statements are presented in South African Rand.

1.3 **Going concern assumption**

These annual financial statements have been prepared on a going concern basis.

1.4 **Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial Recognition

Property, plant and equipment is initially measured at cost.

The "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. the "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's fair value at 1 July 2005 if the asset was acquired prior to this date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.4 Property, plant and equipment (continued)

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is assumed to have an indefinite life.

CDM has adopted the cost model for all classes of PPE except for Land and Buildings for which the fair value method has been adopted.

Land and Buildings will be revalued every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation

Property, plant and equipment is depreciated on the straight line basis over its expected useful life to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.4 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

	<u>Years</u>
Buildings	50
Specialised Vehicles	5-20
Electricity	5-30
Motor vehicles	5-10
Water	5-20
Office Equipment	2-10
Sewerage	15-20
Furniture and Fittings	7-15
Bins and Containers	5-10
Specialised plant and equipment	5-15
Computer equipment	2-10

The residual value, and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

Impairment

The municipality assesses at each Statement of Financial Position date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.4 Property, plant and equipment (continued)

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of, or when there are no further economic benefits or service potential expected from the use of the asset.

Gains and losses

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32 and 33.

1.6 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.6 Employee benefits (continued)

Defined benefits

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefit contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis, using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Financial Performance.

Accrued leave pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

Other short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.7 Leases

Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.7 Leases (continued)

Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.8 **Investments**

The municipality classifies its investments as "Loans and receivables".

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables, receivable within 12 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost if materials.

1.9 **Trade and other receivables**

Accounts receivable are classified as "Loans and receivables" and are initially recognized at fair value. Subsequent measurement is at amortised value if material. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.10 **Trade and other payables**

Trade and other payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised value if material.

1.11 **Revenue**

Revenue comprises the cost of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is measured at the fair value of the consideration received or receivable net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the municipality. Revenue is recognised as revenue from exchange transactions and revenue from non exchange transactions.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.12 Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when consumed. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when consumed and accrued accordingly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from the municipality and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income collected on behalf of "principals" is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met, or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.13 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from regional levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis.

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the cost of the consideration received or receivable.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act no.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

1.14 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.15 VAT

VAT is payable on the receipts basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once payment is made to a creditor.

The net VAT is either classified as "Loans and receivables" or "Financial liabilities at amortised cost".

Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost if material.

Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

1.16 Segmental information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure and on a secondary basis by the classification of service of operations. The secondary basis is representative of the internal structure for both budgeting and management purposes.

1.17 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act no.56 of 2003), the Municipal Systems Act (Act no.32 of 2000), the Public Office Bearers Act (Act no. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statement, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.20 Comparative information

Budget information in accordance with GRAP 1 has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.21 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Grants-in-aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act.

When making these transfers, CDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as and expense in the period that the events giving rise to the transfer occurred.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.23 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Subsequent measurement - fair value model

Investment property is subsequently measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Revaluation will take place every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

Depreciation

Depreciation is calculated using the straight line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	50

The depreciation charge for each year is recognized in surplus and deficit.

Impairment

The municipality assesses at each Statement of Financial Position date, whether there is any indication that an investment property may be impaired. If any such indication exists, the entity estimates the recoverable amount of this property.

If there is any indication that an investment property may be impaired, the recoverable amount is estimated for the property. If it is not possible to estimate the recoverable amount of the property, the recoverable amount of the cash-generating unit of properties to which the property belongs is determined.

The recoverable amount of an investment property or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an investment property is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued investment property is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

Any reversal of an impairment loss of a revalued investment property is treated as a revaluation increase.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.23 Investment property (continued)

Derecognition

An investment property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

Gains or losses

The gains and losses arising from the derecognition of investment properties (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

1.24 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost will be measured at fair value at the day of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired, provision for impairment will be made.

Reassessing the useful life of an intangible asset with a finite useful life, after it was classified as indefinite, is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.25 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.25 Financial instruments (continued)

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as "Loans and receivables" and are initially measured at cost. Subsequent measurement is at face value or, if material, at amortised value.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.25 Financial instruments (continued)

Derecognition:

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.26 **Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.27 Unutilised conditional grants

Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of deferred income. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as deferred income.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the deferred income account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the deferred income account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions.

If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.

- The spent grant is classified as "Financial liabilities at amortised cost".

Subsequent measurement

Deferred income unspent grants are subsequently measured at amortised cost if material.

Derecognition

Deferred income unspent grants are derecognised when the balance was expended per the conditions as set for a grant.

1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.29 Effective interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

1.30 Consolidation of Kouga Development Agency (KDA)

The municipality has a 50% interest in the Kouga Development Agency (KDA), which was established in joint venture with the Kouga Municipality as a multi-jurisdictional service utility in terms of the Local Government Systems Act, 2000.

The consolidated annual financial statements, reflecting the joint venture, will be based on the equity method.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared on the same reporting date.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.30 Consolidation of Kouga Development Agency (KDA) (continued)

Adjustments are made when necessary to the annual financial statements of the controlled entities, to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.31 **Budget information**

The group annual financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the group annual financial statements.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Notes to the Group Annual Financial Statements

Figures in Rand

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2010

2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

3. New standards and interpretations

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability, in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board, but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality expects to adopt the standard for the first time in the 2013 group annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

4. Long - Term Receivables

Loans to Kouga Local Municipality
Staff loans

11,426	32,049
4,177	9,625
15,603	41,674

Classified as a financial asset: Loans and receivables and subsequently measured at amortised cost.

The loan to Kouga Local Municipality is unsecured, bears interest at 14.25% per annum and is repayable in 30 payments every six months.

Staff loans relates to study loans paid on behalf of employees to tertiary institutions for the furthering of the employees' development. These loans are repaid monthly in terms of the agreements with the applicable staff.

Long-term receivables
Short-term portion of long-term receivables

4,177	21,051
11,426	20,623
15,603	41,674

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

Notes to the Group Annual Financial Statements

Figures in Rand

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5. Trade and other receivables

Debtors to be transferred to Local Municipalities due to the disestablishment of the DMA	884,442	-
Salaries and Wages Debtors	38,356	42,256
Services	-	469,727
Deposit paid on PPE purchases	200,936	-
Accrued Rent	179,382	78,891
Rental	3,530	6,161
Rates	-	49,026
Trade and other receivables (impairments)	(782,289)	(548,618)
	524,357	97,443

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2011, R 524,357 (2010: R 97,443) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	465,654	37,306
2 months past due	30,723	29,806
3 months past due	27,980	30,331

Trade and other receivables impaired

As of June 30, 2011, trade and other receivables of R 782,289 (2010: R 548,618) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	94,317	78,299
Over 6 months	687,972	470,319

6. Other receivables from non-exchange transactions

General	2,425,756	3,228,592
Levies	1,156,720	1,192,178
Department of Housing (housing scheme)	9,231,380	9,225,234
Nelson Mandela Bay Municipality Debtors Bank Deposits	5,788	2,310
Allowance for impairment	(10,536,240)	(10,832,719)
	2,283,404	2,815,595

During the financial period, the District Management Area has been disestablished and incorporated within the various Local Municipalities. All related debtor balances have been transferred to the relevant Local Municipality.

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6. Other receivables from non-exchange transactions (continued)

Levies: Aging		
+90 Days	1,156,720	1,192,178
Services: Aging		
0 - 90 Days	-	82,593
+90 Days	-	387,134
	-	469,727
Rates: Aging		
0 - 90 Days	-	811
+90 Days	-	48,215
	-	49,026

Other receivables past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired.

Other receivables older than 3 months not considered to be impaired, are amounts due by East Cape Department of Health. At June 30, 2011, R 1,212,929 were past due but not impaired. The municipality provided for the 2010 amount as it considered the amount as irrecoverable. Subsequent meetings and acknowledgement from the department is considered positive and therefore the provision against this amount has been reversed.

The ageing of amounts past due but not impaired is as follows:

1 month past due	987,641	2,707,664
2 months past due	25,209	53,576
3 months past due	57,625	54,355
Eastern Cape Department of Health +3 months past due	1,212,929	-

Receivables impaired

As of June 30, 2011, receivables of R 10,536,240 (2010: R 11,381,337) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	25,818	76,289
Over 6 months	10,510,422	10,756,430

7. VAT receivable

VAT	4,388,839	4,352,189
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All VAT returns have been submitted by the due dates throughout the year.

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

No discounting was performed.

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8. Deposits paid

Deposits - Electricity	5,000	5,000
Deposits - Parking	9,000	9,000
Deposits - Rietbron Electricity	-	500
Deposits - Parking Grace Street	1,410	810
Deposits - Post Office	6,000	6,000
Deposits - Health Department	-	3,700
	21,410	25,010

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,100	6,100
Bank balances	4,579,622	20,998,929
Short-term deposits	301,380,224	345,699,552
	305,967,946	366,704,581

Short -Term investments

Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost.

No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest.

The fair value of cash and cash equivalents approximates their carrying amounts.

No cash deposits were ceded as collateral

The return on investments for 2011 fluctuated between 5.6% and 8.05%. (2010: 6.65% and 12.21%).

Interest on investments accrued	1,380,224	1,699,552
Cash deposits	290,000,000	340,000,000
Call Account Deposits	10,000,000	4,000,000
Total cash investments	301,380,224	345,699,552

Allocation of external investments

Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-

Post employment medical benefit.	59,174,995	54,272,453
Conditional Grants and Receipts (Deferred income)	85,572,448	135,529,394
Infrastructure projects from Levies	5,206,881	5,750,750
Accrued leave pay	2,075,027	3,750,963
Unappropriated surplus	153,938,595	167,401,021
Total	305,967,946	366,704,581

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9. Cash and cash equivalents (continued)

CDM has the following bank account

Bank details				Bank statement balances			Cash book balances		
				June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2011	June 30, 2010	June 30, 2009
ABSA			Limited	4,124,669	23,002,584	5,127,839	4,579,622	20,998,929	(1,958,674)
32	Govan	Mbeki	Avenue						
Port			Elizabeth						
Current	Account	(Primary	account):						
1640-000-062									

10. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14,253,500	-	14,253,500	13,170,500	-	13,170,500

Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	13,170,500	1,083,000	14,253,500

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10. Investment property (continued)

Reconciliation of investment property - 2010

	Opening balance	Fair value adjustments	Total
Investment property	13,883,000	(712,500)	13,170,500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Cacadu District Municipality.

Details of valuation

Investment Property was valued at 30 June 2010 and 30 June 2011 on the basis of willing buyer and willing seller by Suid Kaap Waardeerders, a registered and independent valuator. A register is available for inspection at the Cacadu District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth.

11. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	86,885	-	86,885	86,885	-	86,885

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11. Intangible assets (continued)

Reconciliation of intangible assets - 2011

	Opening balance	Total
Computer software	86,885	86,885

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Total
Computer software	-	86,885	86,885

Computer software

	2011	2010
CQS Software	86,885	86,885

CQS Software (Caseware) is used as an aid in the preparation of the annual financial statements. The implementation of the software consist of two components i.e. template and annual licence fees. The template is an once off purchase and has an infinite lifespan. The annual license fee is required to operate the template and is expensed annually.

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12. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	44,385,500	(6,038,500)	38,347,000	44,698,700	(6,161,100)	38,537,600
Buildings	30,090,530	(7,829,530)	22,261,000	31,192,999	(6,942,214)	24,250,785
Specialised plant and machinery	1,878,087	(937,885)	940,202	2,222,295	(1,507,531)	714,764
Furniture and fixtures	1,900,109	(634,407)	1,265,702	1,781,207	(483,001)	1,298,206
Motor vehicles	8,211,108	(4,076,399)	4,134,709	15,649,821	(8,235,539)	7,414,282
Office equipment	913,520	(527,115)	386,405	919,079	(385,478)	533,601
Computer equipment	3,951,348	(3,008,615)	942,733	3,657,842	(2,725,105)	932,737
Electricity infrastructure	-	-	-	280,254	(197,077)	83,177
Bins and containers	10,820	(9,738)	1,082	10,821	(9,739)	1,082
Specialised vehicles	1,298,541	(1,132,489)	166,052	1,121,352	(334,829)	786,523
Water distribution	-	-	-	162,893	(111,961)	50,932
Total	92,639,563	(24,194,678)	68,444,885	101,697,263	(27,093,574)	74,603,689

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Assets derecognised	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
Land	38,537,600	-	-	(2,984,597)	2,424,311	-	(121,600)	491,286	38,347,000
Buildings	24,250,785	-	-	(1,239,210)	653,325	(512,964)	(890,936)	-	22,261,000
Specialised plant and machinery	714,764	473,070	-	(1,653)	-	(163,709)	(82,270)	-	940,202
Furniture and fixtures	1,298,206	221,545	-	(42,921)	-	(155,030)	(56,098)	-	1,265,702
Motor vehicles	7,414,282	1,124,777	(253,052)	(2,330,144)	-	(1,744,169)	(76,985)	-	4,134,709
Office equipment	533,601	28,955	-	(19,040)	-	(86,281)	(70,830)	-	386,405
Computer equipment	932,737	389,508	(7,058)	(1,728)	-	(248,238)	(122,488)	-	942,733
Electricity infrastructure	83,177	-	-	(60,336)	-	(22,841)	-	-	-
Bins and containers	1,082	-	-	-	-	-	-	-	1,082
Specialised vehicles	786,523	-	-	(490,727)	-	(103,635)	(26,109)	-	166,052
Water distribution	50,932	-	-	(35,185)	-	(15,747)	-	-	-
	74,603,689	2,237,855	(260,110)	(7,205,541)	3,077,636	(3,052,614)	(1,447,316)	491,286	68,444,885

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
Land	39,900,300	-	(1,939,550)	420,350	-	-	156,500	38,537,600
Buildings	23,707,555	-	(60,269)	1,927,078	(465,083)	(1,780,340)	921,844	24,250,785
Specialised plant and machinery	795,079	95,854	(2,336)	-	(173,833)	-	-	714,764
Furniture and fixtures	1,155,139	377,294	(77,275)	-	(152,117)	(4,835)	-	1,298,206
Motor vehicles	6,874,473	2,248,469	-	-	(1,539,118)	(169,542)	-	7,414,282
Office equipment	409,224	229,403	(7,163)	-	(96,920)	(943)	-	533,601
Computer equipment	1,060,810	249,546	(12,410)	-	(365,179)	(30)	-	932,737
Electricity infrastructure	109,662	-	-	-	(26,485)	-	-	83,177
Bins and containers	1,082	-	-	-	-	-	-	1,082
Specialised vehicles	744,395	110,044	-	-	(67,916)	-	-	786,523
Water distribution	66,678	-	-	-	(15,746)	-	-	50,932
	74,824,397	3,310,610	(2,099,003)	2,347,428	(2,902,397)	(1,955,690)	1,078,344	74,603,689

Revaluations

Land and buildings were valued at 30 June 2010 and 30 June 2011 on the basis of willing buyer and willing seller by Suid Kaap Waardeerders, a registered and independent valuator. A register is available for inspection at the Cacadu District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth, which includes the methods and significant assumptions applied in estimating the properties' fair values.

The carrying value of properties are measured at fair value as these properties were taken at fair value and not at cost. The carrying value of these properties, if measured under the cost model, could not be calculated.

Refer appendix B for more details.

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12. Property, plant and equipment (continued)

Disposals/ Transfers of Property, Plant and Equipment.

Due to the disestablishment of the DMA, all property, plant and equipment allocated to the DMA, are to be transferred to the various Local Municipalities on 1 July 2011. These assets are derecognised until it is physically and legally transferred. The total value of these assets are R5 590 892. As these assets will be transferred at no cost, the total value of these assets has been recognised as a loss on disposal.

On 1 January 2011, the Primary Health Care (PHC) function has been provincialised. All PPE utilised in the operations of the PHC has been transferred to the ECDoH on 1 January 2011. These assets were transferred at no cost and had nil book values at 1 January 2011. Vehicles relating to the PHC are still in the name of the CDM as registration in the name of the ECDoH has not occurred to date. These vehicles have been derecognised. A loss on derecognition of assets to the value of R1 614 652 has been recorded.

Assets subject to finance lease (Net carrying amount)

Specialised Plant and Equipment	30,487	35,862
Finance lease assets		
Cost	113,528	113,528
Accumulated depreciation	(83,041)	(77,666)
	30,487	35,862

13. Long-Term Liabilities

The total of the present value of the future minimum lease payments at the balance sheet date for finance leases are :

- within one year	21,890	87,173
- Later than one year, but not later than five years	-	21,890
	21,890	109,063
Long-term liabilities	-	21,890
Short-term portion of long-term liabilities	21,890	87,173
	21,890	109,063

As no inherent interest rate to the contract could be determined, the incremental borrowing rate equal to the prime rate applicable at inception date was applied, and is currently repayable in monthly instalments of R7 958 per month.

The discounting rate was based on prime rate at the date of inception. All finance leases have a 0% escalation.

The contract with Sharp for a photostat machine has no renewal period and is rented month by month after the end of the contract until a 30 day notice period is given for collection.

The Gestetner and Panasonic contracts both (for photostat machines) have a 90 days' notice period for termination of the contract. The renewal policy for Gestetner is on a month to month basis and for Panasonic on an annual basis. During the year, the Gestetner contract was cancelled and a new machine was purchased in cash.

Detailed information is available on Appendix A.

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14. Deferred Income

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

- National Government Grants	53,478,360	101,350,595
- Provincial Grants and subsidies	29,673,185	29,545,729
- Provincial Grants and subsidies - 3rd party	2,420,902	4,633,071

Long Term Deferred Income

85,572,447 **135,529,395**

A complete list of all conditions are available at the Cacadu District Municipality during office hours.

See Appendix F for a reconciliation of grants from National / Provincial Government. These amounts are fully invested until utilised.

15. Trade and other payables from exchange transactions

Trade payables	436,864	1,702,072
Sundry creditors	113,884	163,902
Accruals	3,421,427	8,204,003
Employee costs	188,717	383,371
Payments in advance - RSC levies	516	-
Payments in advance - Other	8,855	3,359
Payments in advance - DMA rates	-	53,309
Payments in Advance - DMA rates interest	-	12
Payments in Advance - Service debtors	-	4,968
Unidentified deposits	7,200	-
Accrued leave pay *	2,159,701	3,750,963
Infrastructure projects from levies	5,206,881	5,750,750
	11,544,045	20,016,709

* Not financial liabilities.

The normal term of payment is 30 days and no amortisation was calculated.

The carrying amount of financial liabilities approximates their fair value due to their short-term nature.

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16. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonus	206,994	402,582	(184,722)	(22,272)	402,582
Long service Bonus	200,562	57,693	(51,753)	(148,809)	57,693
Balance at end of year	407,556	460,275	(236,475)	(171,081)	460,275

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonus	150,716	206,994	(43,885)	(106,831)	206,994
Long service Bonus	24,856	175,706	-	-	200,562
	175,572	382,700	(43,885)	(106,831)	407,556

Performance bonus provision

Performance bonuses are calculated based on performance agreements, which are linked to key performance indicators determined in the Service Delivery and Budget Implementation Plan. Bonuses are expected to be paid during the following financial year dependent on the outcome of the performance reviews and council approval.

Long service bonus provision

Long service bonuses are calculated based on SALGA regulations. These bonuses are payable in the financial year in which the employees reach the required number of years of service.

17. Post-employment medical benefit

Provision for Post-employment medical benefit	59,174,995	54,272,472
Short-term portion of post -employment medical benefit	(3,404,628)	(3,114,384)
Total Non-Current Provisions	55,770,367	51,158,088

The District Municipality's net obligation in respect of post employment medical benefits was calculated by Arch Actuarial Consulting as at 30 June 2010 and 30 June 2011. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses.

101 Principle members are currently covered by the fund (2009: 117 Total members (Principle plus dependents))

Valuation method

Pre-Retirement benefit

The death in-service benefit is regarded as a post-employment liability under the requirements of IAS 19.

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17. Post-employment medical benefit (continued)

Post retirement benefits

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to total potential service until the expected retirement date. The future service liability is the difference between the total liability and the past - service liability.

Accrued defined benefit obligation

The accrued liability is the value of the employer's share of the contribution - based liability.

Current service cost

The Current Service Cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

Valuation assumptions:

Rate of Interest

Medical Aid Inflation Rate 7.75% p.a.

Investment Return 9.10% p.a.

The discount rate was deduced from the yield curve obtained from the bond exchange of South Africa after the market closed on 21 June 2010. This rate does not reflect any adjustment for taxation.

A Health Care inflation rate of 7.75% has been assumed. This is 1.75% in excess of expected CPI inflation over the expected term of the liability, namely 6.00%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.26%, which derives from $(9.10\% - 7.75\%) / 1.0775$.

The expected inflation assumption of 6.00% was obtained from the differential between market yields on index - linked bonds consistent with the estimated term of the liabilities (2.46%) and those of nominal bonds (9.10%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $(9.10\% - 0.50\% - 2.46\%) / 1.0246$.

The next contribution increase was assumed to occur with effect from 1 January 2012.

Mortality rates

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table rated down three years for females and on the PA (90) -1 ultimate mortality table for post retirement benefits.

Normal retirement age

The Normal Retirement Ages for the Municipality are 65 years for male employees and 60 years for female employees. An average retirement age of 63 years for male employees and 58 years for female employees has been assumed.

Family profile

It was assumed that 95% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it has been assumed that in-service husbands will be four years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

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17. Post-employment medical benefit (continued)

Changes in the present value of the defined benefit obligation are as follows:

Balance at beginning of year	54,272,472	49,830,454
Expected benefit Payments	(3,114,384)	(3,016,664)
- Current service cost - included in general expenses.	147,367	199,373
- Actuarial (Gain)/loss	3,218,610	1,564,301
- Interest costs	4,650,930	5,695,008
Closing balance	59,174,995	54,272,472

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	3,404,628	3,114,384
Later than one year, not later than five years	21,123,646	14,905,285
Later than five years	34,646,721	36,252,803
Total included in employee related costs	59,174,995	54,272,472

The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:

Financial period 2006/2007	48,241,644
Financial period 2007/2008	47,110,017
Financial period 2008/2009	49,830,455
Financial period 2009/2010	54,272,471
Financial period 2010/2011	59,174,995
	258,629,582

Accumulative Actuarial Gain/ (Loss)

Balance at the beginning of the year	(10,474,160)	(8,909,859)
Projected during the year	(3,218,610)	(1,564,301)
Accumulated balance at the end of the year	(13,692,770)	(10,474,160)

Withdrawals

Assumptions used at the reporting date:

20	10.00%	10.00%
25	10.00%	10.00%
30	7.00%	7.00%
35	7.00%	7.00%
40	3.00%	3.00%
45	3.00%	3.00%
50+	-	-
	%	%

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17. Post-employment medical benefit (continued)

Medical aid contributions at retirement

It is assumed that 95% of the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

The above assumptions are consistent with the assumptions used in the previous valuation done at 30 June 2011.

18. Revaluation Reserve

Land and Buildings were valued at 30 June 2010 and 30 June 2011 using the income capitalisation, comparable sales of sectional title office developments and comparable sales methods by Suid Kaap Waardeerders, a registered and independent valuator.

The revaluation surplus is reconciled as follows:

Balance at beginning of the year	74,738,111	71,312,339
Revaluation during the year	3,077,631	2,347,428
Adjustments - Reversal of prior impairment losses	491,286	1,078,344
Balance at the end of the year	78,307,028	74,738,111

19. Unappropriated surplus

The unappropriated surplus is reserved for the following purpose:

General	160,906,149	176,824,260
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The cash backed portion of the unappropriated surplus is ring fenced for the following purpose:

General	128,063,231	132,718,651
Primary Health Care	42,645	8,849,651
Allowance for impairment	10,832,719	10,832,719
Restructuring grant funds allocated to surplus	15,000,000	15,000,000
	153,938,595	167,401,021

20. Financial Instruments - Financial assets by category

Financial Instruments are classified into the following categories:

Financial Assets: Loans and Receivables

Financial Liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

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20. Financial Instruments - Financial assets by category (continued)

2011

	Loans and receivables	Non financial assets	Total
Cash and Cash Equivalents	305,967,946	-	305,967,946
Deposits	21,410	-	21,410
Intangible assets	-	86,885	86,885
Investment Properties	-	14,253,500	14,253,500
Long-term Receivables	4,177	-	4,177
Other receivables from non-exchange transactions	2,283,404	-	2,283,404
Property, Plant and Equipment	-	68,444,885	68,444,885
Short-term Portion of Long-term Receivables	11,426	-	11,426
Trade and other receivables from exchange transactions	524,355	-	524,355
VAT	4,388,839	-	4,388,839
	313,201,557	82,785,270	395,986,827

2010

	Loans and receivables	Fair value through surplus or deficit - held for trading	Total
Cash and Cash Equivalents	366,704,581	-	366,704,581
Deposits	25,010	-	25,010
Intangible assets	-	86,885	86,885
Investment Properties	-	13,170,500	13,170,500
Long term receivables	21,051	-	21,051
Other receivables from non-exchange transactions	2,815,595	-	2,815,595
Property, Plant and Equipment	-	74,603,689	74,603,689
Short term portion of long term receivables	20,623	-	20,623
Trade and other receivables from exchange transactions	97,443	-	97,443
VAT	4,352,189	-	4,352,189
	374,036,492	87,861,074	461,897,566

21. Financial Instruments: Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Financial liabilities at amortised cost	Non Financial Liabilities	Total
Post employment medical benefit	-	55,770,367	55,770,367
Provisions	-	460,275	460,275
Short-term portion of the post employment medical benefit	-	3,404,628	3,404,628
Short-term portion of deferred income	85,572,448	-	85,572,448
Short-term portion of long term liabilities	21,890	-	21,890
Trade and other payables	11,544,043	-	11,544,043
	97,138,381	59,635,270	156,773,651

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21. Financial Instruments: Financial liabilities by category (continued)

2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Total
Long term Liabilities	21,890	-	21,890
Post employment medical benefit	-	51,158,088	51,158,088
Provisions	-	407,556	407,556
Short-term portion of post employment medical benefit	-	3,114,384	3,114,384
Short-term portion of deferred income	135,529,395	-	135,529,395
Short-term portion of long term liabilities	87,173	-	87,173
Trade and other payables from exchange transactions	3,750,963	16,265,746	20,016,709
	139,389,421	70,945,774	210,335,195

22. Government grants and subsidies

Equitable share	69,386,566	63,645,546
Provincial subsidy - Road pensioners	3,214,049	3,232,913
Grant funding - Expenditure Reimbursement	103,673,266	213,930,089
Assets Financed from Grants	79,154	457,100
	176,353,035	281,265,648

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic administrative services to the DMA and Rietbron. The balance is used to supplement the municipality's revenue as discretionary income is insufficient.

DORA

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the next financial periods.

Refer to appendix F for additional information.

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23. Total Revenue - includes

Other revenue:

Valuation certificates	2,974	1,673
Settlement discount received	419	4,264
Contribution from skills development fund	167,880	209,118
Sale of plans	105	-
Printing costs recovered	1,348	7,378
Infrastructure projects funded from infrastructure contingency fund	543,869	1,050,279
Insurance claims	486,234	34,185
Administration function performed	270,688	370,506
Tender deposits	42,060	16,140
Other	<u>1,257,587</u>	<u>897,985</u>
Total other Revenue	<u>2,773,164</u>	<u>2,591,528</u>

Revenue from Exchange Transactions

Tariffs and Charges	263,394	239,970
Property Rates	366,996	174,301
Rental	1,115,413	991,168
Investment Interest	22,939,394	30,800,701
Other Interest	47,585	17,730
Income from Agency Services	<u>32,640</u>	<u>29,698</u>
Total revenue from exchange transactions (Excl VAT)	<u>24,765,422</u>	<u>32,253,568</u>

Revenue from Non Exchange Transactions

Government Grants and Subsidies	176,353,035	281,265,649
Fair Value Gain on Revaluation of Investment Property	1,083,000	-
Reduction in provision for debt impairment	62,807	1,539,342
Other Revenue	<u>2,773,164</u>	<u>2,591,528</u>
Total revenue from non exchange transactions	<u>180,272,006</u>	<u>285,396,519</u>
Total revenue from exchange and non exchange transactions	<u>205,037,428</u>	<u>317,650,087</u>
Revenue	1,745,803	1,405,439
Other income	<u>203,291,625</u>	<u>316,244,648</u>
Total revenue from exchange and non exchange transactions	<u>205,037,428</u>	<u>317,650,087</u>

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24. Employee costs

Basic	31,528,000	30,446,175
Remuneration of Councillors (Refer Note 25)	4,564,721	4,538,969
Total Employee Costs	36,092,721	34,985,144

Set out below are the details for remuneration for Directorate Heads:

Remuneration of Municipal Manager

Annual Remuneration	835,619	762,123
Car Allowance	156,000	156,000
Performance Bonuses	63,489	-
	1,055,108	918,123

Remuneration of the Director Finance and Corporate Services

Annual Remuneration	721,293	672,379
Car Allowance	144,000	144,000
Performance Bonuses	56,575	43,885
	921,868	860,264

Remuneration of the Director Health Services (8 months)

Annual Remuneration	592,933	740,441
Car Allowance	64,000	96,000
Performance Bonuses	64,658	-
	721,591	836,441

Remuneration of the Director Infrastructure Services and Planning (9 months)

Annual Remuneration	703,354	705,856
Car Allowance	75,000	100,000
Performance Bonuses	64,658	-
	843,012	805,856

Remuneration of the Acting Director Infrastructure Services and Planning (3 months)

Annual Remuneration	172,413	-
Car Allowance	17,496	-
	189,909	-

Remuneration of the Director Economic Development (1 month)

Annual Remuneration	27,578	677,857
Car Allowance	5,507	140,004
	33,085	817,861

Remuneration of the Acting Director Economic Development (11 months)

Annual Remuneration	448,479	-
Car Allowance	69,985	-
	518,464	-

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25. Remuneration of councillors

Mayoral Committee Members	2,904,218	2,892,253
Speaker	497,236	483,326
Councillors	1,163,267	1,163,390
	<u>4,564,721</u>	<u>4,538,969</u>

In-kind benefits

The Executive Mayor and the Mayoral Committee Members are full time and are provided with offices and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

26. Finance costs

Finance leases	<u>11,131</u>	<u>109,968</u>
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During the financial period, one of the lease agreements ended and the rental machine was replaced with a machine that the municipality bought outright.

Refer to note 12 for more information.

27. Bulk purchases

Water purchases - DMA	<u>6,310</u>	<u>12,621</u>
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A project in the former DMA area was concluded which resulted in the decrease of water purchases. No more water purchases for this area will occur.

28. Conditional Grants Expenditure and other Grants and Subsidies paid

Disclosed in the statement of Financial performance		
Under Conditional Grant expenditure	100,971,595	211,688,220
Under Salaries and Wages	870,796	500,665
Under General Expenses	34,622	31,093
Under Salaries maintenance and general (Disaster management operating expenses)	1,000,000	1,000,000
Total Conditional Grants and Subsidies paid	<u>102,877,013</u>	<u>213,219,978</u>
Other grants and subsidies paid		
Sundries	2,156,906	3,288,033
Koukamma flood damage interest	1,330,497	4,515,061
Environmental Health Subsidies	<u>6,442,150</u>	<u>5,857,552</u>
Total Other Grants and Subsidies paid	<u>9,929,553</u>	<u>13,660,646</u>

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29. Restatement of prior year figures

Adjustments to surplus opening balance 2010:

Depreciation adjustments	(975,202)
Employee Costs Adjusted	(18,183)
Grant expenditure Adjusted	240,764
Impairment adjustments	655,605
Other income adjusted	(9,833)
	<u>(106,849)</u>

Adjustments to Balance Sheet

Cash and cash equivalents	(2,000)
Property Plant and Equipment	(510,118)
	<u>(512,118)</u>

Adjustments to surplus opening balance 2009:

Depreciation adjustments	(1,517,142)
General expenses - VAT correction	324,649
Impairment adjustments	(6,197,700)
	<u>(7,390,193)</u>

Adjustments to Balance Sheet

Property Plant and Equipment	2,538,127
Investment Property	243,000
VAT	324,649
	<u>3,105,776</u>

During the year under review it was discovered that:

Adjustments relating to 2010

Other income: RSC Levy income net adjustment: All income relates to prior periods as levies have been abolished	14,755
Other income: Income adjustment: Receipt of prior year private telephone calls	154
General expenditure: DWAF - Water purchases (May 2010 and June 2010 account received late for payment)	(494)
Other income: Refund - Income incorrectly received, which was refunded to payees and relates to prior year	(24,588)
General Expenses: AFROX account received in current year, which relates to the previous financial year	(8,005)
General Expenses: National Health Laboratory Services account received in the current year which relates to the previous financial year	(80,996)
Employee cost: Council share of pension relating to previous financial year, paid in current financial year	(18,183)
General Expenses: Mayors credit card paid via debit order, cheque cancelled in current year.	5,455
Depreciation correction: Depreciation on Health vehicle incorrectly calculated and corrected	(510,118)
General Expenses: Rietbron petty cash float expensed	(2,000)
Impairment: Impairment loss on land recognised - previously recorded as a net figure through revaluations	(1,514,100)
Impairment: reversal of revaluation decrease to impairment for land	156,500
Depreciation: Depreciation on buildings not recorded in previous years	(465,084)
Impairment: Impairment loss on buildings recognised - previously recorded as a net figure through revaluations	(266,239)
Impairment: Reversal of revaluation decrease to impairment for buildings	921,844
	<u>(1,791,099)</u>

Adjustments relating to 2009:

Depreciation correction: Depreciation on assets not previously capitalised, and capitalised subsequently	(582,107)
General Expenses: VAT audit result - additional VAT claimed on expenditure not previously claimed - decrease expenditure	324,649
	<u>(257,458)</u>

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29. Restatement of prior year figures (continued)

Changes affecting the Balance Sheet:

Adjustments affecting 2010:

Cash and cash equivalents - petty cash for Rietbron written back	(2,000)
Property Plant and Equipment - Land not separately classified for impairment vs cost, now separated and impairment recorded	1,357,600
Property Plant and Equipment - Impairment not separately classified from revaluation of land, now separated	(1,357,600)
Property Plant and Equipment - Impairment not separately classified from revaluation of buildings, now separated	655,605
Property Plant and Equipment - Accumulated depreciation - assets previously not capitalised, now capitalised and depreciation recalculated.	(510,118)
Property Plant and Equipment - Accumulated depreciation on buildings - not depreciated before.	(465,084)
Property Plant and Equipment - Buildings not separately classified for impairment vs cost, now separated and impairment recorded	(190,521)
	<hr/>
	189,877

Adjustments affecting 2009:

Property Plant and Equipment - Asset items previously not recorded on fixed asset register, now reflected as additions dating back to 2009.	1,956,020
Property Plant and Equipment - Accumulated depreciation on health vehicles - recalculation of depreciation on health vehicles incorrectly calculated in previous years.	582,107
Investment properties - Properties previously not recorded on fixed asset register, now reflected as additions dating back to 2009.	243,000
VAT - Correction Max Prof input tax i.r.o. prior tax periods not claimed	324,649
Property Plant and Equipment - Land not separately classified for impairment vs cost, now separated and impairment recorded	4,803,500
Property Plant and Equipment - Impairment not separately classified from revaluation of land, now separated	(4,803,500)
Property Plant and Equipment - Impairment not separately classified from revaluation of buildings, now separated	(6,197,700)
Property Plant and Equipment - Accumulated depreciation on buildings - not depreciated before.	(935,035)
Property Plant and Equipment - Buildings not separately classified for impairment vs cost, now separated and impairment recorded	<hr/>
	7,132,735
	<hr/>
	3,105,776

Adjustments to Revaluation Reserve

Land previously revalued and adjustment recorded net of impairments	4,803,500
Buildings previously revalued and recorded net of depreciation and impairments	<hr/>
	7,132,735
	<hr/>
	11,936,235

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29. Restatement of prior year figures (continued)

<u>Revenue</u>	Restated 2010	As previously stated 2010
Rental	991,168	991,168
Investment Interest	30,818,431	30,818,431
Income from agency services	29,698	29,698
Government Grants and Subsidies	281,265,648	281,265,649
Tariffs and charges	239,970	239,970
Property Rates	174,301	174,301
Other Revenue	2,591,528	2,601,361
Reduction in provision for debt impairment	1,539,342	1,539,342
	317,650,086	317,659,920
<u>Expenses</u>		
Employee Related costs	34,985,144	34,966,961
Actuarial loss on post employment medical benefit	1,564,301	1,564,301
Fair value adjustment	712,500	712,500
Collection costs	25,449	25,449
Depreciation	2,902,397	1,927,195
Repairs and maintenance	952,239	952,239
Finance costs	109,968	109,968
Bulk Services	12,621	12,621
Contracted services	3,173,393	3,173,393
Conditional Grant Expenditure	211,688,220	211,688,220
Other Grants and Subsidies paid	13,660,646	9,145,586
General Expenses - other	51,535,454	56,291,279
Discounting of post retirement benefit obligation	5,695,008	5,695,008
Loss on disposal of property, plant and equipment	2,099,003	2,099,003
Impairment loss	1,955,690	175,351
	331,072,033	328,539,074
<u>Deficit for the year</u>	(13,421,947)	(10,879,154)

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29. Restatement of prior year figures (continued)

	Restated 2010	As previously stated 2010
Assets		
Current Assets		
Short term portions of long-term receivables	20,623	20,623
Trade and other receivables from exchange transactions	97,443	97,442
Trade and other receivables from non exchange transactions	2,815,595	2,815,595
VAT	4,352,189	4,352,189
Deposits paid	25,010	25,010
Cash and cash equivalents	<u>366,704,581</u>	<u>366,706,581</u>
	<u>374,015,441</u>	<u>374,017,440</u>
 Non-Current Assets		
Property plant and equipment	74,603,689	72,575,680
Long term receivables	21,051	21,051
Investment Property	13,170,500	12,927,500
Intangible assets	<u>86,885</u>	<u>86,885</u>
	<u>87,882,125</u>	<u>85,611,116</u>
Total Assets	<u>461,897,566</u>	<u>459,628,556</u>
Liabilities		
 Short-term portion of long-term liabilities	87,173	87,173
Deferred Income	135,529,395	135,529,394
Trade and other payables from exchange transactions	20,016,709	20,016,709
Provisions	407,556	407,556
Short term portion of medical aid benefit	<u>3,114,384</u>	<u>3,114,384</u>
	<u>159,155,217</u>	<u>159,155,216</u>
 Non-Current Liabilities		
Long-term liabilities	21,890	21,890
Long-term portion of post-employment medical benefit	<u>51,158,088</u>	<u>51,158,088</u>
	<u>51,179,978</u>	<u>51,179,978</u>
Total Liabilities	<u>210,335,195</u>	<u>210,335,194</u>
Total assets less liabilities	<u>251,562,371</u>	<u>249,293,362</u>
 Revaluation reserve	74,738,111	60,556,453
Unappropriated surplus	<u>176,824,260</u>	<u>188,736,909</u>
Total Net Assets	<u>251,562,371</u>	<u>249,293,362</u>

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30. Cash used in operations

Deficit	(15,027,384)	(14,221,947)
Adjustments for:		
Depreciation	3,052,619	2,902,397
Loss on Disposal of property, plant and equipment	260,110	2,099,003
Bad debts written off	(99,293)	-
Fair value adjustments	(1,083,000)	712,500
Discounting of Post Employment Medical Benefit Obligation	4,650,930	5,695,008
Loss on Actuarial valuation for post employment medical benefits	3,218,610	1,564,300
Contributions to provisions	52,719	58,017
Impairment deficit	1,447,316	1,955,690
Service cost	147,367	199,372
Prior year corrections	3,299,716	2,551,276
Changes in working capital:		
Trade and other receivables	(426,915)	196,329
Other receivables from non-exchange transactions	532,191	(1,298,192)
Trade and other payables from exchange transactions	(8,472,666)	(2,474,682)
VAT	(36,650)	14,221,463
Deferred Income	(49,956,948)	(57,053,695)
Direct transfer from Primary Health Care Surplus	-	4,115,126
Prior year correction - Purchases of assets from own funding	-	(1,140,853)
	(58,441,278)	(39,918,888)

31. Finance Leases Reconciliation

Cacadu District Municipality has external loans in the form of finance leases. Refer to Appendix A

32. Contingent Liability

A possible liability exists in respect of an obligation in terms of a development and construction contract. The pleadings in the case have not yet closed.	476,632	476,632
A possible liability exists in respect of damages claimed for the loss of insurance payouts by a former employee due to late submission of claim documents.	268,320	268,320
A possible liability exists in respect of damages claimed for the damage caused by a fire truck that collided with a train.	272,665	272,665
	1,017,617	1,017,617

33. Contingent Assets

A possible asset exists in respect of a claim in terms of defective workmanship and overpayment for work done.	<u>2,000,000</u>	<u>2,000,000</u>
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41. Risk management (continued)

34. Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure

No unauthorised expenditure was incurred in the current and previous financial years.

Fruitless and wasteful expenditure

Interest to the amount of R2 811.26, accrued on the account of the Auditor General. Awaiting condonation based on the report submitted to council.

35. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Council subscription	260,292	249,094
Amount paid - current year	(260,292)	(249,094)

Balance unpaid (included in creditors)

-	-
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External Audit fees

Current year audit fee	2,143,626	1,592,452
Audit Planning fees for 2011/2012	296,821	-
Amount paid - current year	(2,440,447)	(1,592,452)

Balance due (included in debtors)

-	-
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PAYE and UIF

Opening balance	2,000	362
Current year payroll deductions	8,660,904	9,414,090
Amount paid - current year	(8,660,904)	(9,412,090)
Amount paid - previous years	(2,000)	(362)
-	-	2,000

Pension and Medical Aid Deductions

Opening balance	-	(50,491)
Current year payroll deductions and Council Contributions	3,759,022	2,109,576
Amount paid - current year	(3,759,022)	(2,109,576)
Amount paid - previous years	-	50,491
-	-	-

36. Capital Commitments

No capital commitments existed during the year.

37. Post Employment Benefit Information

Post Employment Medical Benefit

Provision is made for post employment medical benefits in the form of health care plans for eligible employees and pensioners.

Retirement Fund Benefits

Employees and Council contribute to the Cape Joint Retirement Funds on the basis of a fixed contribution, which is charged against income as incurred.

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41. Risk management (continued)

38. In-kind donations and assistance

No donations have occurred in the current year.

39. Primary Health Care Services

The District Municipality provides Primary Health Care services on behalf of the Eastern Cape Health department. During the previous financial year the council has resolved to terminate the agreement. The process has been finalised in January 2011.

40. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(15,027,384)	(14,221,947)
Adjusted for:		
Fair value adjustments	1,548,996	365,844
Impairments recognised / reversed	(8,530,760)	(1,955,690)
Loss on the sale of assets	(7,058)	(2,099,003)
Increases / decreases in provisions	62,807	1,539,342
Discounting of post employment medical benefit	(4,650,930)	(5,695,008)
Finance costs	(11,131)	(109,968)
Contribution from accumulated surplus	26,615,460	22,176,430
Net surplus per approved budget	-	-

41. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Stringent cash management procedures are in place. These include cash flow forecasting.

A sensitivity analysis has not been performed and included as the municipality is not exposed to foreign exchange risk or interest rate risk. The municipality does not enter into any foreign exchange transactions and since the municipality effect payment on presentation of invoice, no interest rate charges are applicable. It would thus be misleading to provide a sensitivity analysis.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At June 30, 2011	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	11,429,331	-	-	-
Other Payables	-	88,375,581	-	-
At June 30, 2010	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	9,378,560	-	-	-
Other Payables	-	140,271,399	-	-

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41. Risk management (continued)

Interest rate risk

The current account and the call account expose the municipality to cash flow interest rate risk. Deposits attract interest at a rate that varies according to the prime banking rate.

The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

Should the prime rate vary by 1% either direction, the effect on the cash balance would be R3.5 million in each way.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The municipality only deposits cash with banks which have an equity above R10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding RSC levy and Department of Housing (Housing Scheme) receivables.

Management believes that the Allowance for impairment adequately addresses the credit risk involved.

42. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

43. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

44. Events after the reporting date

None

45. Compliance with chapter 11 of the Municipal Finance Management Act

The Municipality has adopted a Supply Chain Management policy with effect from 1 January 2006 in accordance with the Act and applicable regulations. However, the Municipality has experienced difficulties in populating a comprehensive supplier database which is due to a poor response from potential suppliers. As a result the application of the regulations has not been fully implemented.

46. Related parties

Kouga Development Agency

The Kouga Development Agency (KDA) was established as a multi-jurisdictional service utility in terms of the Local Government Systems Act, 2000 in 2004 in a joint venture between the Cacadu District Municipality and the Kouga Local Municipality.

KDA, funded by the parent municipalities and the Industrial Development Corporation, aims to leverage public and private resources for development around opportunities which offer investment, employment, economic and development potential in the Kouga area.

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46. Business combinations (continued)

CDM has made a contribution of R864 000 during the current financial year (2010: R800 000) towards the operating costs of KDA.

A decision has been taken by the council of CDM and Kouga Local Municipalities to disestablish the KDA and to form a District Development Agency. The process of winding down and establishment of the District Development Agency is assumed to be finalised before the end of the next financial year.

No other transaction was entered into with KDA.

Post retirement medical aid benefit plan

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his or her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/ Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R1 945 638 (2010: R1 873 748)

Councillors and employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with CDM by any organisation or business.

The following interests in institutions have been declared, but no transactions have been entered into:

Staff Member/ Councillor	Entity Number	Entity Name
Mr Pillay	1996/015970/08	PE Regional Chamber of Commerce (Article 21 Company)
Mr and Mrs de Lange	2008/228399/23	Humerail Bed and Breakfast CC

Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipality, directly or indirectly, including any director of Cacadu District Municipality:

Executive Mayor
Speaker
Mayoral Committee members
Councillors
Municipal Manager
Director: Infrastructure Services and Planning
Director: Economic Development
Director: Finance and Corporate Services
Acting Director: Infrastructure Services and Planning
Acting Director: Economic Development

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47. Key sources of estimated uncertainties

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

48. Significant estimates and judgements

The preparation of CDM's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements

Bridging funding for housing projects is judged to be virtually irrecoverable from the Department of Provincial Housing due to problems locating and obtaining "happy letters" from participants in these projects. The amount of R 9,231,380 (2010: R 9,225,234) was included in the provision for bad debts.

RSC levy debtors are judged to be 100 % irrecoverable due to legislative problems in recovering the outstanding amounts and the abolition of the Act. Therefore provision was made for R 1,156,720, (2010: R 1,192,178) on the allowance for doubtful debts.

Due to the disestablishment of the DMA , Rietbron is incorporated with Baviaans Local Municipality. All related services accounts will be transferred on the 1 July 2011. It is judged that service receivables from Rietbron are virtually irrecoverable due to the unemployment and poverty of the community. R 689,387 (2010: R 416,787) was provided for and transferred to the Baviaans Local Municipality's debtor account. Other relevant balances relating to the former DMA have been transferred to the various local municipalities in whose jurisdiction they fall. (Refer note 5)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Post Employment Medical Benefit

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2011 is R 59,174,995 (2010: R 54,272,471). Further details are given in Note 17

The effective interest rate for discounting was estimated at 0.5% below prime.

Useful lives

The estimates and associated assumptions are based on the historical experience and management's estimation of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management mainly assessed that the estimated useful lives in the prior years, are still appropriate.

CACADU DISTRICT MUNICIPALITY

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48. Significant estimates and judgements (continued)

Residual values

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management's estimation of condition. No changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

49. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

GRAP 18:	Segment reporting
GRAP 21:	Impairment of non cash generating assets
GRAP 23:	Revenue from Non exchange transactions (Taxes and Transfers)
GRAP 24:	Presentation of budget information in the financial statements
GRAP 25:	Employee Benefits
GRAP 26:	Impairment of cash generating assets
GRAP 103:	Heritage assets
GRAP 104:	Financial Instruments
GRAP 105:	Transfer of functions between entities under common control
GRAP 106:	Transfer of functions between entities not under common control
GRAP 107:	Mergers

GRAP 18: Segment reporting

As CDM is mainly in a supporting function to the municipalities within its jurisdiction the application of this standard is not expected to have a major impact on the accounting procedures and disclosures.

GRAP 21: Impairment of non cash generating assets

A major portion of CDM's assets are non cash generating of nature and application of this standard will have an effect on the presentation of assets. But as there are no real major changes to applying IPSAS 21 the impact is not anticipated to be severe.

GRAP 23: Revenue from Non exchange transactions (Taxes and Transfers)

A major portion of CDM's revenue consists of grants (transfers) and the principles of this standard has been practically adopted and applied as far as it relates to grants. No problems are anticipated when introducing this standard.

GRAP 24: Presentation of budget information in the financial statements

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

GRAP 25: Employee Benefits

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

GRAP 26: Impairment of cash generating assets

The biggest problem here would seem to be the identification of such assets as the definition differs from IAS 36 and GRAP 26. The application does not differ greatly from IAS 36.

GRAP 103: Heritage assets

Currently no heritage assets were identified for CDM.

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

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49. Standards of GRAP issued but not yet effective (continued)

GRAP 104: Financial Instruments

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

50. Interest in joint ventures

Name of entity	% holding 2011	% holding 2010	Carrying amount	Carrying amount
Kouga Development Agency (KDA)	50.00%	50.00%	-	-

An amount of R2 023 313.50 could not be recognised in 2011 (2010: R703 626.00), as the allocation would have resulted in the investment account being negative.

Summary of economic entity's interest in joint venture

The separate set of annual financial statements of Kouga Development Agency is available on request from the District Municipality.

Summary of the municipality's interests in the joint venture.

Non current assets	41,475	58,758
Current assets	34,551	1,841,970
Current liabilities - non-interest bearing	(492,339)	(1,429,353)
Revenue	1,965,728	2,558,634
Expenses	(3,285,416)	(2,410,104)
Net profit	(1,319,688)	148,530
Cash generated by operating activities	(516,209)	274,079
Cash flows from investing activities	-	(25,275)
Cash flows from financing activities	(979,749)	(43,392)

Contingent liabilities

A possible liability exists in respect of the disestablishment of the Kouga Development Agency (KDA) who appointed a developer to develop the Mandated Area. The developer requested Cacadu District Municipality (CDM) to honour the contract. The developer indicated that he would institute legal action against the Agency for damages, if CDM decides not to honour the contract.

51. Irregular expenditure

Opening balance	9,028,852	-
Add: Irregular Expenditure - current year	11,714,320	9,028,852
	20,743,172	9,028,852

Analysis of expenditure awaiting condonation per age classification

Current year	11,714,320	9,028,852
Prior years	9,028,852	-
	20,743,172	9,028,852

CACADU DISTRICT MUNICIPALITY

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51. Irregular expenditure (continued)

Details of irregular expenditure – current year

Details of irregular expenditure

Preferential procurement points were not used for 112 purchases between R30 000 to R200 000. Procurement only considered in terms of lowest prices quoted.

For purchases between R10 000 to R30 000, the supply chain management policy requires certain declarations and information to be supplied before appointing the service provider. 79 Suppliers were not registered on the database where all the required information was provided and declared and thus important information was not submitted i.e. registration documentation, declarations and tax clearance certificates. Only quotations were considered in terms of pricing.

One transaction for emergency expenditure has not been authorised by the accounting officer

Suppliers made false declarations by indicating that they are not in the service of the state and reliance was placed on these declarations. It was subsequently identified that these suppliers have made false/no declarations and work has been given to them.

Disciplinary steps taken/criminal proceedings

No disciplinary action was recommended to council as no supplier has been unfairly disadvantaged. Recalculation of preference points resulted in the same suppliers being appointed. Submitted report and await council approval for condonation.

No disciplinary action was recommended to council as no supplier has been unfairly disadvantaged, as the same suppliers would have been appointed. Submitted report and await council approval for condonation.

No disciplinary action was recommended to council. Emergency work was required in the Rietbron area and based on the distance from head office, the acting director approved the repairs as it was within her authorisation limits.

No disciplinary action was recommended to council - suppliers made false statements and thus no employee is considered to be involved.

7,920,592

3,226,578

23,512

543,638

11,714,320

CACADU DISTRICT MUNICIPALITY

Group Annual Financial Statements for the year ended June 30, 2011

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51. Irregular expenditure (continued)

Details of irregular expenditure – prior year

Details of irregular expenditure

Preferential procurement points were not used for 67 purchases between R30 000 to R200 000. Procurement only considered in terms of lowest prices quoted.

For purchases between R10 000 to R30 000, the supply chain management policy requires certain declarations and information to be supplied before appointing the service provider. 90 Suppliers were not registered on the database where all the required information was provided and declared and thus important information was not submitted i.e. registration documentation, declarations and tax clearance certificates. Only quotations were considered in terms of pricing.

Disciplinary steps taken/criminal proceedings

No disciplinary action was recommended to council as no supplier has been unfairly disadvantaged. Recalculation of preference points resulted in the same suppliers being appointed. Submitted report and await council approval for condonation.

No disciplinary action was recommended to council as no supplier has been unfairly disadvantaged, as the same suppliers would have been appointed. Submitted report and await council approval for condonation.

4,846,482

4,182,370

9,028,852

APPENDIX A

June 2011

SCHEDULE OF EXTERNAL LOANS AS AT WEDNESDAY, JUNE 30, 2011

		Loan Number	Redeemable	Balance at June 30, 2010	Finance charges for the year	Payments received	Balance at June 30, 2011	Net book value of assets under finance leases	Short term portion	Present value of future min. payments - wit hint 2 - 5 years)
				Rand	Rand	Rand	Rand	Rand	Rand	Rand
FINANCE LEASES										
Photostat Machine - Gestetner	1		10/31/2010	55,880	3,385	59,265	-	-	-	-
Photostat Machine - Panasonic	2		4/30/2012	15,430	2,990	3,946	14,474	30,486	14,474	-
Photostat Machine - Panasonic	3		9/30/2011	9,157	863	7,562	2,458	-	2,458	-
Photostat Machine - Sharp	4		2/28/2012	6,706	1,082	2,832	4,956	-	4,956	-
				87,173	8,320	73,605	21,888	30,486	21,888	-

CACADU DISTRICT MUNICIPALITY

APPENDIX B

June 2011

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2011

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Revaluati ons Rand	Additions Rand	Disposal s/ transfers Rand	Derecog nised assets Rand	Closing Balance Rand	Opening Balance Rand	Deprecia tion Rand	Depr on sale Rand	Impairm ent Rand	Impairm ent reversal/ derecog nition Rand	Closing Balance Rand	Carrying Value Rand
Land													
Investment Property	12,445,000	1,127,500	-	-	-	13,572,500	-	-	-	-	-	-	13,572,500
PPE	44,698,703	2,424,311	-	-	2,984,600	44,138,414	6,161,100	-	-	121,600	491,286	5,791,414	38,347,000
Buildings													
Investment Property	725,500	-44,500	-	-	-	681,000	-	-	-	-	-	-	681,000
PPE	31,192,999	653,325	-	-	1,239,210	30,607,114	6,942,214	512,964	-	890,936	-	8,346,114	22,261,000
Furniture and Fixtures													
PPE	1,781,207	-	221,545	-	102,643	1,900,109	483,000	155,030	-	56,098	59,722	634,407	1,265,702
Specialised Vehicles													
PPE	1,121,351	-	-	-	627,339	494,013	334,829	103,635	-	26,108	136,611	327,961	166,052
Office Equipment													
PPE	919,079	-	28,938	-	34,497	913,520	385,478	86,281	-	70,813	15,457	527,115	386,405
Computer Equipment													
Intangible Asset	86,885	-	-	-	-	86,885	-	-	-	-	-	-	86,885
PPE	3,657,842	-	389,538	7,058	96,031	3,944,290	2,725,105	248,239	-	122,516	94,303	3,001,557	942,733
Electricity Infrastructure													
PPE	280,254	-	-	-	280,254	-0	197,077	22,841	-	-	219,918	-	-0

Bins and Containers

PPE	10,820	-	-	-	10,820	9,738	-	-	-	-	9,738	1,082
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Motor Vehicles

PPE - CDM - H/O	7,615,760	1,124,777	317,402	973,081	7,450,054	3,028,265	793,095	64,350	76,982	518,647	3,315,344	4,134,709
PPE - CDM - Health	8,034,060	-	-	7,491,319	542,740	5,207,275	951,074	-	-	5,615,609	542,740	-

Water Distribution

PPE	162,893	-	-	162,893	-	111,962	15,746	-	-	127,708	-	-
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Specialised Plant and Machinery

PPE	2,222,295	473,070	-	12,750	2,682,615	1,507,531	163,709	-	82,270	11,097	1,742,413	940,202
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Land	57,143,703	3,551,811	-	-	2,984,600	57,710,914	6,161,100	-	-	121,600	491,286	5,791,414	51,919,500
Buildings	31,918,499	608,825	-	-	1,239,210	31,288,114	6,942,214	512,964	-	890,936	-	8,346,114	22,942,000
Furniture and fittings	1,781,207	-	221,545	-	102,643	1,900,109	483,000	155,030	-	56,098	59,722	634,407	1,265,702
Specialised vehicles	1,121,351	-	-	-	627,339	494,013	334,829	103,635	-	26,108	136,611	327,961	166,052
Office equipment	919,079	-	28,938	-	34,497	913,520	385,478	86,281	-	70,813	15,457	527,115	386,405
Computer equipment	3,744,727	-	389,538	7,058	96,031	4,031,175	2,725,105	248,239	-	122,516	94,303	3,001,557	1,029,618
Electricity infrastructure	280,254	-	-	-	280,254	-0	197,077	22,841	-	-	219,918	-	-0
Bins and containers	10,820	-	-	-	-	10,820	9,738	-	-	-	-	9,738	1,082
Motor vehicles	15,649,820	-	1,124,777	317,402	8,464,400	7,992,794	8,235,540	1,744,169	64,350	76,982	6,134,256	3,858,085	4,134,709
Water Distribution	162,893	-	-	-	162,893	-	111,962	15,746	-	-	127,708	-	-
Specialised Plant and machinery	2,222,295	-	473,070	-	12,750	2,682,615	1,507,531	163,709	-	82,270	11,097	1,742,413	940,202

Total	114,954,650	4,160,636	2,237,867	324,460	14,004,617	107,024,075	27,093,575	3,052,616	64,350	1,447,323	7,290,358	24,238,805	82,785,270
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**CACADU DISTRICT
MUNICIPALITY
APPENDIX
C**

June 2011

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2011

	Cost / Revaluations						Accumulated Depreciation							Carrying Value 30 June 2011
	Opening Balance 01 July 2010 Rand	Revaluation Rand	Additions Rand	Impairment Rand	Disposals Rand	Derecognition Rand	Closing Balance 30 June 2011 Rand	Opening Balance 01 July 2010 Rand	Depreciation Rand	Impairment Rand	Derecognition Rand	Disposals Rand	Closing Balance Rand	
Electricity	265,254	-	-	-	-	265,254	-	182,505	24,663	-	207,168	-	-	-
Executive and Council Finance and Admin	3,026,499	-	589,651	-	-	1,309,612	2,306,537	1,422,714	372,098	-71,759	11,613	-	1,854,959	451,578
Health	95,774,548	4,160,636	1256878.37	-	7,058	4,701,547	96,483,458	16,421,462	1,040,805	-489,317	353,897	-	17,597,687	78,885,771
Housing Planning and Development Public Safety	8,034,060	-	-	-	317,402	7,165,912	550,745	5,207,275	951,074	-717,600	6,260,854	64,350	550,745	-
Roads	58,474	-	-	-	-	-	58,474	45,169	1,862	-904	-	-	47,936	10,538
Water	2,786,939	-	272,523	-	-	166,686	2,892,776	1,650,820	216,421	-55,344	143,424	-	1,779,161	1,113,615
	4,566,101	-	117,334	-	-	13,712	4,669,723	1,837,882	424,300	-111,961	11,937	-	2,362,206	2,307,516
	263,404	-	-	-	-	218,501	44,903	199,595	5,104	-	173,253	-	31,446	13,457
	179,373	-	1,480	-	-	163,393	17,460	126,151	16,286	-431	128,207	-	14,661	2,799
Total	114,954,650	4,160,636	2,237,867	-	324,460	14,004,617	107,024,076	27,093,574	3,052,616	-1,447,316	7,290,353	64,350	24,238,802	82,785,274

CACADU DISTRICT MUNICIPALITY

APPENDIX D

June 2011

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income Rand	2010 Actual Expenditure Rand	2010 Surplus/ (Deficit) Rand		2011 Actual Income Rand	2011 Actual Expenditure Rand	2011 Surplus/ (Deficit) Rand
178,898	33,238,190	(33,059,292)	Executive and Council	6,984,097	35,189,810	(28,205,713)
102,894,339	28,330,068	74,564,271	Finance and Administration	120,570,150	55,406,232	65,163,918
16,342,840	29,349,658	(13,006,818)	Planning and Development	7,659,450	28,376,340	(20,716,889)
36,897,527	45,519,209	(8,621,682)	Health	479,677	10,960,354	(10,480,676)
15,553	80,734	(65,181)	Community and Social services	1,807,778	1,807,942	(164)
1,210,220	2,896,938	(1,686,718)	Housing	1,151,309	1,151,254	55
5,156,758	10,625,630	(5,468,872)	Public safety	4,150,767	13,874,874	(9,724,106)
1,057,418	2,169,724	(1,112,306)	Sport and Recreation	-	670,322	(670,322)
96,060	7,646	88,414	Waste Management	119,124	8,543	110,581
142,729,228	147,933,299	(5,204,071)	Road Transport	42,166,240	45,087,111	(2,920,871)
9,664,514	15,283,540	(5,619,026)	Water	19,948,834	24,265,577	(4,316,743)
54,221	4,854,077	(4,799,856)	Electricity	-	68,936	(68,936)
1,352,510	9,337,897	(7,985,387)	Other	-	3,197,518	(3,197,518)
317,650,086	329,626,610	(11,976,524)	Total	205,037,428	220,064,812	(15,027,384)

CACADU DISTRICT MUNICIPALITY
APPENDIX E(1)
June 2010

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	Current year 2011	Prior year 2010	Variance	Current year 2011	Variance 2010	Variance	
	Actual June Rand	Actual June Rand	Actual %	CDM June Rand	Budget June Rand	Budget vs Actual June Rand	Budget vs Actual %
<u>Revenue</u>							
Property rates	366,996	174,301	111%	364,671	2,325	1%	n/a
Rental Income	1,115,413	991,168	13%	968,000	147,413	15%	General inflationary increase in rental as per agreement
Tariffs and charges	263,394	239,970	10%	260,600	2,794	1%	N/A
Government grants and subsidies	176,353,035	281,265,648	-37%	227,369,168	(51,016,133)	-22%	Directly related to under expenditure on projects
	178,098,838	282,671,087		228,962,439	(50,863,601)		
<u>Other income</u>							
Other income	2,868,611	4,160,568	-31%	39,339,008	(36,470,397)	-93%	Contribution from surplus not utilised - balanced and funded budget
Interest received - investment	22,986,979	30,818,431	-25%	24,864,622	(1,877,643)	-8%	Lower than expected interest rates and lower investment portfolio
	25,855,590	34,978,999		64,203,630	(38,348,040)		
<u>Expenses</u>							
Employee related costs	(36,092,721)	(34,985,143)	3%	(47,579,890)	11,487,169	-24%	All positions on organogram are budgeted for, but not all positions are filled
Depreciation	(3,052,619)	(2,902,397)	5%	(1,489,000)	(1,563,619)	105%	FAR updated and corrected resulting in increase of assets not previously on FAR now included, increase in depreciation on buildings not previously recorded..
Repairs and maintenance	(1,034,981)	(952,239)	9%	(1,743,200)	708,219	-41%	Contributions from surplus not fully utilised
Finance costs	(11,131)	(109,968)	-90%	-	(11,131)	100%	Leases are finance leases treated as operating leases for budget purposes.
Bulk purchases	(6,310)	(12,621)	-50%	(15,000)	8,690	-58%	Project completed thus lower purchases required
Conditional Grant Expenditure	(100,971,595)	(211,688,220)	-52%	(152,726,492)	51,754,897	-34%	Lower expenditure on projects than expected
General expenses	(76,324,029)	(75,654,251)	1%	(89,612,487)	13,288,458	-15%	Contribution from surplus not fully utilised
Impairments	(1,447,316)	(1,955,690)	-26%	-	(1,447,316)	100%	Impairment considered at year end as part of accounting year end entries and thus not budgeted for
Loss on donations and transfers of property, plant and equipment	(260,110)	(2,099,003)	-88%	-	(260,110)	100%	Transnet houses transferred in bulk that was long outstanding
Fair value adjustments	1,083,000	(712,500)	-100%	-	1,083,000	100%	Valuations done at year end and accounting year end entries are not considered during budget period
	(218,117,812)	(331,072,032)		(293,166,069)	75,048,257		
Deficit from equity accounted investments	(864,000)	(800,000)					Consolidation
Net surplus/ (deficit) for the year	(15,027,384)	(14,221,946)		-	(15,027,384)		

CACADU DISTRICT MUNICIPALITY
APPENDIX E(2)
June 2011

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Total Additions Rand	2011 Budget Rand	2011 Variance Rand	2011 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
OTHER ASSETS					
Land	-	-	-	-	
Land	-	-	-	-	
Computer Hardware					Laptops were provided for on the budget but were bought in August 2011 due to timing of filling of vacancies.
	389,538	496,672	107,134	21.57	
Computer equipment	389,538	496,672	107,134	21.57	
Chairs	17,717	48,750	31,033	63.66	Chairs for rest room were not purchased.
Tables/Desks	37,211	109,296	72,085	65.95	Tables for rest room and an Executive desk were not purchased.
Miscellaneous	166,616	167,000	384	0.23	
Furniture and fittings	221,544	325,046	103,502	31.84	
Motor Vehicles	1,124,777	2,646,471	1,521,694	57.50	Two double-cab vehicles were not purchased. Tender amounts of vehicles were below budgeted amounts.
Motor vehicle	1,124,777	2,646,471	1,521,694	57.50	
Office Machines	28,938	149,319	120,381	80.62	Air conditioners were not replaced during the year.
Office equipment	28,938	149,319	120,381	80.62	
Fire Maintenance					Purchases were made for items not classified as assets and were therefore expensed. Quotations for emergency lighting were received but not completed during the year. The tender amount for the Specialised printer for printing room were less than budgeted for.
	473,070	3,470,000	2,996,930	86.37	
Specialised plant and equipment	473,070	3,470,000	2,996,930	86.37	
Specialised vehicles	-	-	-	-	
Specialised vehicles	-	-	-	-	
Grand Total	2,237,867	7,087,508	4,849,641	68.43	

CACADU DISTRICT MUNICIPALITY

APPENDIX F

June 2011

CONDITIONAL GRANTS AND RECEIPTS FOR THE YEAR ENDED 30 JUNE 2011

	UNSPENT BALANCE 30 JUNE 2010 RAND	CONTRIBUTIONS/ ADJUSTMENTS RAND	CURRENT YEAR RECEIPTS RAND	INTEREST ALLOCATED RAND	TRANSFER TO REVENUE RAND	CAPITAL EXPENDI TURE RAND	TRANSF ERS RAND	UNSPENT BALANCE 30 JUNE 2011 RAND
CAMDEBOO: ERADICATION OF VIP TOILETS	-		1,848,939		-			1,848,939
CAPACITY BUILDING FOR COUNCIL	30,447				-			30,447
CAPACITY DEV (KOUGA LED STRATEGY)	32,000				-			32,000
DBSA LED: PROJECT MANAGEMENT UNIT	-	6,595	60,582		(67,177)			-
DBSA LED: AGRI - INNOVATION INTERVENTION	-	(128,741)	1,122,163		(993,422)			-
DBSA LED: STRATEGY AND INSTITUTIONAL	-	(7,524)	1,276,829		(1,184,336)			84,969
DEPARTMENT OF HEALTH	3,395,475	(1,541,197)	21,433,889		(22,189,829)			1,098,338
DISASTER MANAGEMENT	3,953,113	(421,473)	1,000,000		(3,790,862)			740,778
DROUGHT RELIEF	44,237				-			44,237
DROUGHT RELIEF 2010/2011	-		9,728,155		(4,168,778)			5,559,377
DWAF (SECTION 78(3))	377,259	(377,259)			-			(0)
FINANCE MANAGEMENT GRANT	-		1,250,000		(1,217,857)			32,143
FIRE SERVICES	-	421,473			(374,487)			46,986
FLOOD DAMAGE ROADS	43,292,625			2,670,078	(14,477,027)			31,485,676
GIS SUPPORT TO CDM BY DWAF	84,370				-			84,370
HONEYBUSH TEA	163,073				-			163,073
HOUSING PROJECTS	842,928	6,146			(6,146)			842,927
IDP SUPPORT 2009/2010	112,600	(112,600)			-			-
IDP SUPPORT GRANT FOR LM'S AND DM'S	559,783	432,828			(522,900)			469,710
KOU KAMMA LM TURNAROUND PLAN - INTEREST	-	382,775	1,274,587		-			1,657,362
KOU KAMMA STRENGTHENING THE CAPACITY	3,000,000				(2,131,223)			868,777
KOUKAMMA - WOODLAND FLOWER PROJECT	564,749				-			564,749
LAND SURVEY PROJECTS	191,619	(191,619)			-			-

LED FUNDING	333,414				-			333,414
LED STRATEGY SMME	609,599				-			609,599
LIBRARIES - MUNICIPALITIES	1,521,832		6,338,000		(2,824,444)			5,035,388
MIG	3,671,538		5,117,000		(4,396,720)	(79,154)		4,312,664
MIG-KOUKAMMA	46,619,553				(38,739,863)			7,879,690
MULTIANNUAL ACTION PLANS - MAAP	2,406,923	377,259			(250,194)			2,533,988
MUNICIPAL ADMINISTRATION: DEVEOPMENT	500,000				(156,151)			343,849
MUNICIPAL GRANT LED	726,011				-			726,011
MUNICIPAL PERFORMANCE MANAGEMENT	1,432,053				(1,076,558)			355,495
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	415,354		750,000		(507,056)			658,298
PASSENGER TRANSPORT PLANS AND FACILITIES	1,912,720				-			1,912,720
PEOPLE HOUSING PROJECT	11,169,510			770,653	(137,106)			11,803,057
PILOT HOUSING PROJECT - ADDO	796,254					(796,254)		-
PUBLIC WORKS PROJECTS	742,912				(621,337)			121,575
RAIN HARVESTING	286,204				(253,828)			32,376
RAIN HARVESTING PATERSON	550,000				-			550,000
RAIN WATER HARVESTING PEARSTON	2,257,028				(2,227,119)			29,909
RESTRUCTURING GRANT	1,529,553				-			1,529,553
SPATIAL PLANNING PROJECTS	128,610	(128,610)			-			-
SRV STRENGTHENING THE CAPACITY OF LM	300,000				(300,000)			-
THINA SINAKO PROV LED SUPPORT PROGRAM	483,667		436,548		(262,593)			657,622
TOURISM PLANS - DLG&TA	262,582				-			262,582
YOUTH CENTRE - SOMERSET EAST	229,801				-			229,801
	135,529,394	(1,281,948)	51,636,692	3,440,731	(102,877,013)	(79,154)	(796,254)	85,572,448
			Capital expenses		(79,154)			
			Transfers directly to income		(796,254)			
			Total revenue		(103,752,421)			

**CACADU DISTRICT
MUNICIPALITY
APPENDIX F1
June 2010**

GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant	Name of Organ of state	2009/2010				2009/2010				2009/2010				Reason for delay/withholding funds	Comply to DOR A Y/N	Reason on non compliance
		Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed/withheld						
		Sept Rand	Dec Rand	Mar Rand	June Rand	Sept Rand	Dec Rand	Mar Rand	June Rand	Sept Rand	Dec Rand	Mar Rand	June Rand			
LED Funding	Provincial Government	-	-	-	-	1,200,000	396,000	2,000,000	-	-	-	-	-	N/A	Yes	N/A
Capacity Building for Councillors	Provincial Government	-	-	-	-	17,800	9,154	-	-	-	-	-	-	N/A	Yes	N/A
Tourism Plans - DBSA	Other	-	-	352,467	-	613,843	152,848	-	1,542	-	-	-	-	N/A	Yes	N/A
Youth Centre - Somerset East	Provincial Government	-	-	-	-	-	170	6,990	34,580	-	-	-	-	N/A	Yes	N/A
Finance Management Grant	National Government	750,000	-	-	-	250,155	335,927	447,962	453,909	-	-	-	-	N/A	Yes	N/A
Municipal System Improvement Grant	National Government	735,000	-	-	-	-	108,263	450,885	373,289	-	-	-	-	N/A	Yes	N/A
Restructuring Grant	National Government	-	-	-	-	145,783	6,301	313,813	60,702	-	-	-	-	N/A	Yes	N/A
Multi Annual Action Plan - MAAP	National Government	-	-	-	-	569,459	195,784	173,098	28,793	-	-	-	-	N/A	Yes	N/A
MIG	National Government	2,249,000	1,050,000	-	2,800,000	1,240,920	1,499,331	1,655,664	2,197,791	-	-	-	-	N/A	Yes	N/A
MIG - Kou Kamma Building for Sport and Recreation	National Government	-	-	88,503,000	-	17,183,114	50,486,801	38,391,435	18,642,482	-	-	-	-	N/A	Yes	N/A
Flood Damaged Roads	National Government	-	-	-	-	-	219,810	-	5,944	-	-	-	-	N/A	Yes	N/A
DBSA: Cacadu Cemetery Management	National Government	-	-	-	-	1,330,825	1,766,123	10,505,787	3,611,563	-	-	-	-	N/A	Yes	N/A
Goat Farming at Ikwezi	Other	-	-	-	-	-	-	180,000	-	-	-	-	-	N/A	Yes	N/A
Drought Relief Libraries - Municipalities	Provincial Government	-	-	-	-	-	-	2,200,000	-	-	-	-	-	N/A	Yes	N/A
	Provincial Government	-	-	-	-	-	45,617	96,880	155,938	-	-	-	-	N/A	Yes	N/A
	Provincial Government	-	2,974,500	-	-	401,939	208,011	585,989	2,113,963	-	-	-	-	N/A	Yes	N/A
Disaster Management Municipal Administration::Health	Provincial Government	-	-	-	-	728,489	864,348	1,464,897	2,094,292	-	-	-	-	N/A	Yes	N/A
	Provincial Government	-	-	-	-	-	-	-	251,804	-	-	-	-	N/A	Yes	N/A
Performance	Provincial Government	-	627,582	-	-	-	75,101	224,327	132,305	-	-	-	-	N/A	Yes	N/A

Management																	
IDP Support Grant for LMs and DMs	Provincial Government	-	-	-	-	-	-	609,033	74,794	-	-	-	-	N/A	Yes	N/A	
Steytlerville Sport Field	National Government	-	-	-	-	-	-	260,183	35,876	-	-	-	-	N/A	Yes	N/A	
Housing Projects	Provincial Government	-	-	-	-	162,381	146,500	430,452	24,534	-	-	-	-	N/A	Yes	N/A	
Honeybush Tea Eve Brand Package	Provincial Government	1,200,000	-	-	-	1,200,000	-	-	-	-	-	-	-	N/A	Yes	N/A	
People Housing Projects	Provincial Government	30,750	-	-	-	-	-	203,645	235,355	-	-	-	-	N/A	Yes	N/A	
Passenger Transport Plans and Facilities	Provincial Government	123,222	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A	
Land Survey Projects	Provincial Government	-	-	-	-	101,491	-	-	47,491	-	-	-	-	N/A	Yes	N/A	
Spatial Planning Projects	Provincial Government	-	-	-	-	-	-	131,950	-	-	-	-	-	N/A	Yes	N/A	
Ikwezi Hardwood Farm	Provincial Government	-	-	-	-	-	230,092	-	-	-	-	-	-	N/A	Yes	N/A	
Public Works Projects	Provincial Government	-	-	-	-	29,678	-	-	249,161	-	-	-	-	N/A	Yes	N/A	
Capacity Development (Kouga LED Strategy)	Provincial Government	-	-	-	-	418,000	-	-	-	-	-	-	-	N/A	Yes	N/A	
DBSA Land Audit	Other	-	-	-	-	-	-	-	362,995	-	-	-	-	N/A	Yes	N/A	
DBSA: LED Agri-Innovation Intervention	Other	-	-	-	600,324	-	-	-	912,218	-	-	-	-	N/A	Yes	N/A	
DBSA: LED Strategy and Institutional	Other	-	-	-	19,310	-	-	-	26,834	-	-	-	-	N/A	Yes	N/A	
LED Capacity Ikwezi	Provincial Government	-	-	470,000	-	-	-	-	470,000	-	-	-	-	N/A	Yes	N/A	
LED Strategy /Dev Camdeboo	Provincial Government	-	-	437,000	-	-	-	-	437,000	-	-	-	-	N/A	Yes	N/A	
IDP Support 2009/10	Provincial Government	1,281,000	-	-	-	-	1,152,900	3,230	12,270	-	-	-	-	N/A	Yes	N/A	
Rain Harvesting - Pearston	National Government	-	-	4,833,000	-	-	-	251,767	2,324,205	-	-	-	-	N/A	Yes	N/A	
Rain Harvesting - Paterson	National Government	-	-	-	550,000	-	-	-	-	-	-	-	-	N/A	Yes	N/A	
Koukamma - Strengthening the Capacity	National Government	-	-	-	3,000,000	-	-	-	-	-	-	-	-	N/A	Yes	N/A	
SRV - Strengthening the Capacity	National Government	-	-	-	300,000	-	-	-	-	-	-	-	-	N/A	Yes	N/A	
DBSA LED Project Management Unit	Other	-	-	-	-	-	-	-	34,926	-	-	-	-	N/A	Yes	N/A	
Thina Sinako Priv LED Support Programme	Provincial Government	-	-	-	483,667	-	-	-	-	-	-	-	-	N/A	Yes	N/A	
		6,368,972	4,652,082	94,595,467	7,753,301	25,593,877	57,899,081	60,587,987	35,406,556	-	-	-	-				

CACADU DISTRICT MUNICIPALITY

APPENDIX G

June 2011

INVESTMENT PORTFOLIO FOR THE YEAR ENDED 30 JUNE 2011

FINANCIAL INSTITUTION	ACCOUNT NUMBER	PERIOD MNTHS	% INT RATE	DATE INVESTED	DATE MATURING	INVEST/MATURE 2010/2011	BALANCE 30 JUNE 2011
FIRST RAND BANK	71230113666	6	7.53%	19-Jan-10	19-Jul-10	6,000,000	
INVESTEC	DA881968	6	7.58%	19-Jan-10	19-Jul-10	3,000,000	
ABSA GROUP	2069363283	12	8.05%	23-Jul-09	22-Jul-10	16,000,000	
FIRST RAND BANK	71208232373	6	7.41%	09-Feb-10	09-Aug-10	5,000,000	
INVESTEC	DA883201	6	7.48%	09-Feb-10	10-Aug-10	9,000,000	
NEDCOR BANK	7881501480000096	8	7.72%	08-Dec-09	10-Aug-10	12,000,000	
NEDCOR BANK	7881501480000095	9	7.75%	26-Nov-09	26-Aug-10	8,000,000	
NEDCOR BANK	7881501480000098	9	7.75%	08-Dec-09	08-Sep-10	12,000,000	
ABSA GROUP	2069539658	12	7.58%	15-Sep-09	14-Sep-10	16,000,000	
STANDARD BANK	088430537132	12	7.55%	15-Sep-09	14-Sep-10	13,000,000	
FIRST RAND BANK	71235652403	6	6.75%	01-Apr-10	01-Oct-10	14,000,000	
NEDCOR BANK	7881501480000099	9	7.70%	19-Jan-10	19-Oct-10	6,000,000	
STANDARD BANK	088430537134	9	7.70%	19-Jan-10	19-Oct-10	2,000,000	
STANDARD BANK	088430537133	12	7.93%	26-Oct-09	25-Oct-10	4,000,000	
FIRST RAND BANK	71265602395	6	6.65%	29-Apr-10	29-Oct-10	5,000,000	
NEDCOR BANK	7881501480000100	9	7.51%	09-Feb-10	09-Nov-10	13,000,000	
NEDCOR BANK	7881501480000094	12	7.93%	26-Nov-09	25-Nov-10	10,000,000	
FIRST RAND BANK	71226405019	6	6.70%	31-May-10	30-Nov-10	27,000,000	
NEDCOR BANK	7881501480000097	12	7.81%	08-Dec-09	07-Dec-10	21,000,000	
ABSA GROUP	2069932230	11	7.80%	19-Jan-10	20-Dec-10	25,000,000	
STANDARD BANK	088430537135	11	7.50%	09-Feb-10	10-Jan-11	6,000,000	
FIRST RAND BANK	71201472603	6	6.44%	21-Jul-10	21-Jan-11	19,000,000	
INVESTEC	DA888651	7	6.83%	28-Jun-10	28-Jan-11	8,000,000	
STANDARD BANK	088430537137	9	6.87%	29-Apr-10	29-Jan-11	10,000,000	
ABSA GROUP	2070004488	12	7.60%	09-Feb-10	08-Feb-11	17,000,000	
INVESTEC	DA892637	6	6.56%	19-Aug-10	18-Feb-11	7,000,000	
STANDARD BANK	088430537139	8	6.70%	29-Jun-10	01-Mar-11	17,000,000	
STANDARD BANK	088430537136	12	7.13%	01-Apr-10	30-Mar-11	17,000,000	
ABSA GROUP	2070188527	12	7.15%	01-Apr-10	31-Mar-11	6,000,000	
INVESTEC	DA885229	12	7.15%	01-Apr-10	31-Mar-11	2,000,000	
NEDCOR BANK	7881501480000101	7	6.15%	17-Sep-10	18-Apr-11	8,000,000	
INVESTEC	DA892050	9	6.65%	21-Jul-10	21-Apr-11	13,000,000	
ABSA GROUP	2070708779	8	6.15%	17-Sep-10	17-May-11	13,000,000	
STANDARD BANK	088430537141	8	6.21%	18-Sep-10	17-May-11	3,000,000	

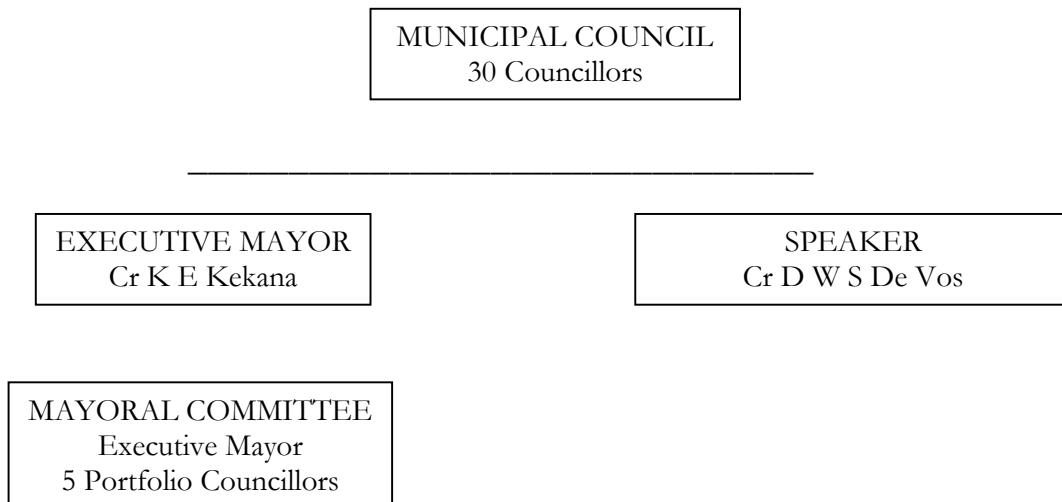
ABSA GROUP	2070368313	12	7.07%	31-May-10	30-May-11	10,000,000	
STANDARD BANK	088430537138	12	7.10%	31-May-10	30-May-11	20,000,000	
NEDCOR BANK	7881501480000102	9	6.22%	17-Sep-10	17-Jun-11	8,000,000	
FIRST RAND BANK	71183446320	7	5.65%	19-Nov-10	20-Jun-11	8,000,000	
NEDCOR BANK	7881501480000104	7	5.60%	19-Nov-10	20-Jun-11	5,000,000	
FIRST RAND BANK	71265602395	7	5.69%	08-Dec-10	08-Jul-11		12,000,000
ABSA GROUP	2070621810	11	6.65%	19-Aug-10	19-Jul-11		9,000,000
ABSA GROUP	2070626226	12	6.75%	21-Jul-10	20-Jul-11		3,000,000
STANDARD BANK	088430537140	12	6.71%	21-Jul-10	20-Jul-11		7,000,000
FIRST RAND BANK	71238977816	8	5.71%	08-Dec-10	08-Aug-11		12,000,000
NEDCOR BANK	7881501480000106	8	5.70%	08-Dec-10	08-Aug-11		6,000,000
FIRST RAND BANK	71178318310	12	6.62%	19-Aug-10	18-Aug-11		4,000,000
STANDARD BANK	088430537143	9	5.65%	19-Nov-10	19-Aug-11		7,000,000
NEDCOR BANK	7881501480000107	9	5.74%	08-Dec-10	08-Sep-11		13,000,000
NEDCOR BANK	7881501480000105	10	5.70%	19-Nov-10	19-Sep-11		15,000,000
NEDCOR BANK	7881501480000108	10	5.77%	08-Dec-10	10-Oct-11		13,000,000
ABSA GROUP	2070772805	12	6.24%	12-Oct-10	11-Oct-11		1,000,000
FIRST RAND BANK	71214140271	12	6.22%	12-Oct-10	11-Oct-11		10,000,000
NEDCOR BANK	7881501480000103	12	6.25%	12-Oct-10	11-Oct-11		2,000,000
STANDARD BANK	088430537142	12	6.25%	12-Oct-10	11-Oct-11		1,000,000
INVESTEC	DA905404	7	5.85%	04-Apr-11	04-Nov-11		6,000,000
FIRST RAND BANK	71235652403	11	5.81%	08-Dec-10	08-Nov-11		6,000,000
INVESTEC	DA900303	11	5.76%	08-Dec-10	08-Nov-11		1,000,000
ABSA GROUP	2071042455	10	5.75%	24-Jan-11	24-Nov-11		25,000,000
STANDARD BANK	088430537146	9	5.80%	03-Mar-11	03-Dec-11		9,000,000
ABSA GROUP	2071168629	9	5.85%	03-Mar-11	05-Dec-11		1,000,000
ABSA GROUP	2070923410	12	5.75%	08-Dec-10	07-Dec-11		3,000,000
STANDARD BANK	088430537144	12	5.77%	09-Dec-10	08-Dec-11		2,000,000
INVESTEC	DA903888	10	6.01%	03-Mar-11	01-Jan-12		4,000,000
FIRST RAND BANK	71230113666	12	6.10%	24-Jan-11	23-Jan-12		18,000,000
STANDARD BANK	088430537145	12	6.04%	24-Jan-11	23-Jan-12		7,000,000
STANDARD BANK	088430537148	9	6.00%	19-May-11	19-Feb-12		7,000,000
ABSA GROUP	2071385558	9	6.02%	19-May-11	20-Feb-12		9,000,000
INVESTEC	DA908224	9	6.08%	19-May-11	20-Feb-12		13,000,000
ABSA GROUP	2071257004	11	6.00%	01-Apr-11	01-Mar-12		11,000,000
STANDARD BANK	088430537147	12	6.15%	01-Apr-11	31-Mar-12		23,000,000
INVESTEC	DA910271	10	6.13%	21-Jun-11	20-Apr-12		2,000,000
ABSA GROUP	2071612254	10	6.04%	21-Jun-11	23-Apr-12		6,000,000
NEDCOR BANK	7881501480000109	10	6.11%	21-Jun-11	23-Apr-12		7,000,000
STANDARD BANK	088430537149	11	6.16%	21-Jun-11	21-May-12		15,000,000
							290,000,000

CHAPTER 5 : GOOD GOVERNANCE AND PUBLIC PARTICIPATION – (KPA 5)

OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS

The function of Executive and Council within the Municipality is administered by the Office of the Executive Mayor and Municipal Manager.

All decisions are taken by the Council, the Executive Mayor in consultation with the Mayoral Committee, or senior officials in terms of authority delegated by legislation and/or the delegations of authority adopted by the Council on 1 December 2004, and revised on 28 November 2007.



PORTFOLIO COUNCILLORS AND MEMBERS OF MAYORAL COMMITTEE

Economic Development	Cr N O'Connel
Tourism	Cr Y Vara
Infrastructure	Cr V Balura
Finance and Corporate Services	Cr N Pieters
Health and Special Programmes	Cr N Vanda

MEMBERS OF THE COUNCIL AS AT 30 JUNE 2011

Balura V M
Baxter F
Bezuidenhout D J
Blouw Z A
De Vos D S W
Gailey R M
Goliath E
Grootboom T R
Guest J (Ms)
Hendricks H M
Jacobs S (Ms)
Jagers H (Ms)
Kekana K E (Ms)
Knott-Craig A R
Koliti B C (Ms)
Lucas S
Mali M C
Mngwevu S A
Mohr T
Ncamiso K C (Mrs)
Ngeleza T C (Ms)
Nortjé A L
O'Connell N J
Pannies A F
Pieters N N (Ms)
Reynolds L M
Tarentaal M (Ms)
Vanda N (Ms)
Vara Y P
Wells J C (Ms)

Seven meetings of Council were held during the year under review.

The following committees have been established to deal with specific issues and make recommendations thereon to the Mayoral Committee, or the Council via the Mayoral Committee. The number of meetings of these committees held during the year under review are indicated below:

COMMITTEE/FORUM	NUMBER OF MEETINGS 2010/11
Mayoral Committee	15
Audit/Performance Audit Committee	6
Bid Committees	12
Cacadu District Mayors' Forum (IGF)	3
Municipal Managers Forum	4
Cacadu District Health Council	-
Local Labour Forum	7
District Aids Council	-
DMA Committee	3
District Wide Infrastructure Forum	2
Chief Financial Officers Forum	1
Heritage Advisory Committee	-
Budget Committee	1
Oversight Committee	1
Disaster Management Advisory Forum	4
District Communicators Forum	2
Health Standing Committee (Pilot)	-
Infrastructure Standing Committee (Pilot)	-
Council	7
Training	1
Remuneration	2
Transitional Facilitation	3

Strategic objectives

- Improve municipal governance
- Create closer linkages with constituency
- Promote effective and transparent communication

Key issues for 2010/2011

- Outreach by Executive Committee of the Province (Premier and MECs) to Cacadu District on 20/21 October 2010
- Provincialisation of Primary Health Care Services with effect from 1 January 2011
- Finalisation of incorporation of District Management Areas into local municipalities and disestablishment of ECDMA 10 with effect from Municipal Elections
- Municipal Elections in May 2011 and Inauguration of new Council for the District Municipality on 8 June 2011
- Decision taken to move Head Office to Kirkwood
- Disestablishment of KDA and decision to establish District Development Agency
- Loss of MIG funding
- Census 2011
- Review of Cacadu District Strategic Plan

PUBLIC PARTICIPATION AND CONSULTATION

District Management Area

During the year under review, the Cacadu District Municipality continued to have direct interaction with communities in the District Management Area through the District Management Area (DMA) Committee. The Committee is comprised of representatives from each of the settlements in the DMA as well as the District Councillor for the DMA and regular meetings were held, which were chaired by the Speaker of Council.

In addition to the above, a number of outreaches and direct interactions with the communities of all six settlements in the DMA took place during the year under review. Issues discussed at these events included housing matters, the impending inclusion of the DMA area into neighbouring local municipalities, and general community matters.

Moral Regeneration Movement (MRM)

During the year under review, the Moral Regeneration Movement structures which were established during the previous financial year, continued to meet on a regular basis. Continuous Outreaches and strengthening of the movement took place.

Provincial Executive Committee Outreach to Cacadu District - October 2010

The Provincial Executive Council resolved to engage in an extensive EXCO outreach programme once a year for the duration of the 2009-2014 term of office, during which it visits the six districts and the Metro and engages with the municipalities and communities. The first Outreach to Cacadu was held in July 2009. During this Outreach, the Executive Mayor presented a State of the District report. He highlighted key issues for the Province to deal with. In the meeting of stakeholders, they raised issues relating to all spheres of government.

The second Outreach by Premier of the Province together with Members of the Executive Council and senior provincial officials to Cacadu District took place on 21 / 22 October 2010. The intention of the Outreach was to enable the Premier to give an account of how the issues raised in the first Outreach have been responded to by the Provincial Government.

The programme for the Outreach in October 2010 was very similar to that of the previous year in that there were two sessions on Day 1, namely:

- A closed IGR Government-to-government session in the morning which was attended by the Provincial delegates and Mayors, Speakers and Municipal Managers of the District and local municipalities
- A session with key district stakeholders in the afternoon

These two engagements, as well as a parallel session with public servants and municipal workers in the afternoon of Day 1, took place in Graaff-Reinet.

On Day 2, a mass community meeting was held in Willowmore. There were parallel programmes to various projects in the District.

Other engagements during the year included:

- Outreaches to DMA Communities to communicate and explain the processes and implications of disestablishment of the DMA and incorporation of the areas into local municipalities
- Consultation on ward demarcation in the DMA
- NCOP outreach to Cacadu local municipalities
- Interactions with farming community in Baviaanskloof on the Land Tenure Security Act
- Screening of State of the Nation address on a big screen at Krakeel in Kou-Kamma Municipality
- Screening of State of the Province address on a big screen at Waterford, Ikwezi
- Public meetings in Rietbron for unemployed people regarding the Expanded Public Works Programme (EPWP)
- Public meeting in Willowmore, Baviaans Municipality to explain the programme for the Freedom Day celebrations.

WARD COMMITTEES ESTABLISHMENT AND FUNCTIONALITY

Cacadu District Municipality does not have any ward committees but assists local municipalities with establishment and training of their ward committees.

COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING

Cacadu District Municipality does not have any Community Development Workers reporting to its council; however there is continuous interaction with them with regards to programmes of the council where they serve as mouth pieces. They also assist in mobilizing stakeholders for consultation.

COMMUNICATION STRATEGY

The Cacadu District Communication strategy was adopted by Council on 28 May 2008. The Cacadu District Municipality Communication Core team was established in June 2010 with representatives from the municipality, Office of the Premier and GCIS. The District Communicators' Forum was established during the year under review and has held regular meetings since its establishment.

The various components of the Communication function have been decentralized in the organization and responsibilities have been assigned as detailed below:

	Responsibility
Media Relations	
Routine media statements for the Municipality / Media Statements, Opinion Pieces & Articles	MM's office
Media Relations and Liaison (Council meeting, Agendas, Media Briefings)	Public Relations Officer
Work closely with Admin Officer in Speaker's Office	Public Relations Officer
Communications Research	
Content Development and Management	MM's Office
Media Monitoring and Communication Environmental Analysis	Public Relations Officer
Speech Writing	Senior Admin Officer, Office of the Executive Mayor
Website Content Management	MM's Office
Branding and Corporate ID	Public Relations Officer, Speaker's Office
Key messages for Campaigns and Projects	
Corporate Communications & Marketing	
Internal and External Communications (Newspaper)	Public Relations Officer
Marketing (Institution and its Services)	Public Relations Officer
Events Management	Public Relations Officer
Convening the District Communicators' Forum and Support to Local Municipalities	Public Relations Officer
Outreach and Community Liaison	
Inter Governmental Relations	Senior Admin Officer, Office of the Executive Mayor
Outreach Programmes	Senior Admin Officer Speaker's Office
Community Liaison	Senior Admin Officer Speaker's Office
Izimbizo	Senior Admin Officer Speaker's Office
Stakeholder's Liaison and Mobilization	Senior Admin Officer Speaker's Office
Local Government Communication	Senior Admin Officer Speaker's Office

INTERGOVERNMENTAL RELATIONS

Cacadu District Municipality adopted its IGR policy in 2005 and has implemented it on an ongoing basis since then. The meetings of the IGR Forums are reported on under "Overview of the Executive and Council functions" above.

The Municipality has partnership agreements with two municipalities in South Africa, namely the Nelson Mandela Bay Metropolitan Municipality and the Cape Winelands District Municipality. It has also entered into an agreement with the the Peoples Municipality of Jincheng City in China, in terms of which areas of co-operation are being explored.

LEGAL MATTERS

1. Setting up of Legal Units

There is one legal officer who is responsible for litigation, to ensure compliance with all relevant Acts and Regulations, provide legal opinions in legal actions leveled against the Municipality, give advice on labour matters, assist in investigations relating to disciplinary hearings, prepare legal documents such as lease agreements, contract etc, provide legal support to local municipalities and attend to all legal matters of the municipality. There are however complex legal issues that are dealt with by external legal service providers. The names of the firms which were used during the period under review are, Rushmere & Noach Attorneys, Boqwana Loon & Connellan Inc, Goldberg & De Villiers Inc. Chris Baker & Associates.

2. Management of litigation

- a. Favourable cases - Nil
- b. Unfavourable cases - Nil

There are cases pending that have not been finalized, as detailed hereunder:

Case name	Nature of the case	Date of commencement	Reasons for extensive duration
CDM v Raj Maharaj & Associates	Claim for damages as a result of poor workmanship	November 2004	Matter was not settled as envisaged and a trial date is awaited.
Baird v CDM	Claim for damages for the repudiation of disability claim.		Matter was set down for hearing in August 2010, due to the Plaintiff's Attorney not having filed all the necessary documents, the matter was removed from the roll, trial date still awaited
Transnet v CDM	Claim of damages as a result of a collision	15 October 2009	This matter is being handled the by Insurance company

3. Default judgments - Nil

4. Prevention mechanisms of current litigations

The CDM Risk Management Strategy incorporates the assessment of legal risk and the strategies that can be put in place as prevention mechanisms for such risks as identified.

5. Criminal matters emanating from corruption and fraud - Nil

6. Management of Legal Risks

There is no specific policy dealing with management of legal risk, this is dealt with in the Municipality's Risk Management Strategy.

PART 3

FUNCTIONAL AREAS REPORTING AND ANNEXURES

NOTE:

Functional Areas Service Delivery reports are included only for those areas which have not already been comprehensively covered in Part 2 of this report.

FUNCTION : FINANCE AND CORPORATE SERVICES

SUB-FUNCTION: FINANCE (Budget and Treasury Office)

Overview

This includes all activities relating to the finance function of the municipality, including revenue collection.

Description of Activity

The function of finance within the municipality is administered by the Budget and Treasury Office of the Department: Finance and Corporate Services, and includes:

- provision of relevant, accurate and reliable financial information to all users including councillors, managers and stakeholders to facilitate informed decision making
- provision, maintenance and implementation of sound financial policy, controls and systems
- ongoing introduction of budgetary and accounting reforms
- production of annual budget and annual financial statements
- internal audit and risk management
- the maintenance of an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds. All monies owed to suppliers and service providers are paid within 30 days of receiving the relevant invoice or statement unless there are special arrangements
- provision of financial advice to the Mayoral Committee, Council and Departments
- administration of the investment and insurance portfolios of the municipality
- management of conditional grants
- asset and liability management
- revenue collection and cash flow management
- capacity building by way of training interns, councillors and officials.

Strategic Objectives

- ensure long-term financial sustainability

- ensure full compliance with all accounting statutory and legal requirements including implementation of the MFMA
- implement revenue generating strategies and lobby for additional equitable share of National Revenue
- recover outstanding monies owed by the Provincial Government in respect of health subsidies and long term liabilities
- provide support to nine local municipalities

Key Issues for 2010/2011

- Produced Operating and Capital budget in the prescribed format and within the specified guidelines and timeframes;
- Produced GRAP compliant Financial Statements within the required timeframes;
- Improvement of financial system with regards to
 - infrastructure projects;
 - internal controls;
 - budget control;
 - new budget formats;
 - Supply Chain Management
- Compliance to MFMA reporting requirements;
- Provided Supply Chain Management training to all Local Municipalities that comply with the National Qualifications Framework (NQF);
- Implementation of Caseware software to assist with budget preparation and the compilation of the Annual Financial Statements.
- Restructuring of department to ensure suitably qualified staff can be appointed

Analysis of Function

An analysis of the function is contained in the Annual Financial Statements which appear on pages 41 - 110.

FUNCTION : FINANCE AND CORPORATE SERVICES SUB-FUNCTION: HUMAN RESOURCES

Overview

Includes all activities relating to the Human Resource Management function including recruitment, selection, induction, people management, and payroll administration.

Description of Activity

Human Resource Management is a specialized function which provides support services for other managers in the institution to enable them to make optimal use of their personnel, and includes the following:

1. Developing and revision of HR Policies and Procedures
2. Recruitment and Selection –

The recruitment, including overseeing the preparation of job descriptions, advertising, interviewing and appointment of personnel and the development of manpower planning strategies.

3. Induction of new officials
4. Skills Development Facilitation
5. Employer/Employee Relations
6. Employment Equity

Strategic Objectives

- Maintenance and review of personnel policies.
- Effective functioning of the Local Labour Forum and maintenance of labour peace.
- Employment equity and skills development.
- Human resource planning and capacity building.
- Organisational development.
- Provide support to Local Municipalities.

Key Issues for 2010/2011

- Adoption and implementation of Workplace Skills Plan for 2010/2011
- Development of the Employment Equity Plan for submission to the DOL
- Adoption and submission of Employment Equity Implementation Plan (DOL)
- Monitor implementation of Employment Equity Plan
- Training programmes conducted for employees and councillors of district and local municipalities in the following skills –
 - Development of Key Performance Areas – (University of Stellenbosch)
 - Coaches & Mentors – LGSETA
 - Working with Disabled People
 - Certificate in Local Government Administration
 - Legal and Industrial Relations
 - Municipal Finance – LGSETA
 - Development and implementation of EE
 - Development and implementation of WSP – LGSETA
 - Contract Management
 - Customer Care – Lynn Page and Associates
 - Presidential hotline – DSRAC, EC
 - Technical Report writing for Engineers
 - Management Skills 21st Century
 - Records Management – DSRAC, EC
 - Computer Training – Addskills & Nelson Mandela Metro University
 - Certificate Programme in Municipal Development (CPMD)
 - Municipal Management Skills (SALGA)
 - Councillor Induction Programme (SALGA)
 - Integrated Councillor Induction Programme (CDM)
 - Management and Leadership Skills (Stellenbosch University)
 - Advanced driving Skills.
 - Advance Transport, Fuel, Maintenance and Fleet Strategic Planning
- Review of Institutional arrangements

Analysis of Function

NO	Number and cost of all municipal staff employed:	Number	Total Cost 2010/2011 <u>R</u>
1	Top Management (Councillors, Section 57)	69	4 104 206
2	Senior management	18	6 512 788
3	Professionals/Technical/Academic qualified	68	13 013 696
4	Semi Skilled	27	1 578 503
5	Unskilled employees	64	10 861 142
	TOTAL	246	36 070 335

FUNCTION : FINANCE AND CORPORATE SERVICES
SUB-FUNCTION: INFORMATION TECHNOLOGY

Overview

Includes all activities relating to the provision, maintenance and protection of all relevant Information Technology systems including a web site and maintaining and protecting the integrity of the corporate data required by officials of CDM.

Description of Activity

The function is administered as follows:

The CDM's information systems and hardware is owned by the municipality and the support is provided by external service providers.

The Municipality's website is maintained by an external service provider under the guidance of a committee of senior officials appointed to monitor content and accuracy of input and ensure that the website is constantly updated.

While most ICT staff fall under the Finance and Corporate Services Department, some specialist information systems, such as GIS, are maintained by personnel in other departments.

The IT function includes:

- APPx Financial System application development as required
- User training and Telephonic Support
- All necessary data file updates
- All necessary APPx software upgrades
- All system and user documentation as required
- Backup function: System and data backups on a daily, monthly and annual basis
- Data Capture: All data as required for transaction processing and month end functions
- Reporting duties: Printing of all required accounts and necessary reports
- Batch runs: Process and run the daily, weekly and monthly batches
- Internet and E-mail administration and support
- PC and Network administration support
- Desktop Support

Strategic Objectives

Ensure that the CDM can maintain accurate and reliable accounting records through systems development and accurate processing.

Key Issues and Projects for 2010/2011

- Connect with Cacadu Project was continued this year with 10 more libraries being connected. Each has its own server, and between the 39 libraries 250 PC's and 34 printers were setup (16 000 users).
- GIS server was installed, which is being used for regional GIS purposes.
- Upgraded the backup software from Symantec Backup Exec 2010 to Symantec Backup Exec 2010.
- Installed a new windows 2008 print server which manages all the network printers.
- The new rates system started in 2008/2009 was completed.
- The accounting month end process was rewritten together with a procedure manual.
- Programs were written to automatically transfer relevant transactions from the appx system to the IDP Management system whenever an update is done.
- Additional controls were built into the cheque run procedure, whereby the bank balance is checked before a cheque run. The finance manager can now control various limits e.g. bank balance remaining after the cheque run, cheque run limit, cheque limits etc.
- Additional controls were added to the processing of payment vouchers with cheque requests and payment certificates requiring additional authorisation. Payment vouchers processed against a Job Costing vote also now check the ledger to ensure the funds have been received.
- The transfer of surplus and deficit accounts to accumulated surplus has been automated.

- Exception reporting developed for cheques produced more than 30 days from date of invoice.
- Upgraded the antivirus and spy-ware to Symantec Endpoint protection 12.1 RU 6.
- A new windows 2008 Active Directory was installed.
- A new APPX server with Cent OS operating system was installed

Analysis of Function

Number and cost of all personnel associated with the Information Technology function:

	Total cost R
Permanent Staff – System Administration (1)	304 998
Outsourced – Program maintenance and data capture (3)	1 115 439

FUNCTION : FINANCE AND CORPORATE SERVICES
SUB-FUNCTION: OTHER ADMIN (SUPPORT SERVICES)

Overview

Includes all activities relating to supporting the organisation, including providing Secretarial Services and Auxiliary Services to Council and Committees, Archives and Central Registry, Legal Services and Property Management

Description of Activity

The support services are administered by the Corporate Services Division of the Department : Finance and Corporate Services, and include the following:

1. Secretarial/Auxiliary Services

The Secretariat provides secretarial and administrative support services to the Council, Mayoral Committee, and other committees established for specific purposes (see list under Function: Executive and Council). These services include meeting arrangements, printing and distribution of agendas, keeping of minutes of all meetings and ensuring that resolutions are executed.

2. Archives and Central Registry

The Central Registry and Archives office is responsible for receiving, tracking, filing and retrieving all documents addressed to and leaving the offices of the CDM.

3. Legal Services/Property Management

This includes:

- Contract administration
- Dealing with legal proceedings instituted by/against the Municipality
- Dealing with all matters relating to Municipal-owned property including acquisition/alienation, leases, valuations
- Security and Cleaning Services

Strategic Objectives

To provide cost effective administrative support services to the Council and its committees and departments.

Key issues for 2010/2011

- The Council, Mayoral Committee and other committees/forums held regular meetings during the year under review

Analysis of function:

Number and cost of personnel associated with the Support Services function:

Secretariate	4
Auxiliary Services	9
Legal and Property Management	1
TOTAL COST	R3 226 311

Grants and subsidies received:

None

FUNCTION: FINANCE AND CORPORATE SERVICES
SUB-FUNCTION: OTHER ADMIN (PUBLIC RELATIONS)

Overview:

Includes all activities related to communication, marketing, publicity and media co-ordination for the Municipality and the district (geographical area).

Description of activity:

This function within the Municipality is administered by the Department of Finance and Corporate services and includes:

- Promoting the Municipality by providing sufficient information to the public and staff about Municipal issues.
- Co-ordinating municipal events such as Public Participation Programmes (together with Speaker's Officer), community meetings, project launches and handovers.
- Promoting and managing the Municipality's corporate identity and public image.
- Formulating and maintaining the Municipality's Communication Strategy, while also assisting the Local Municipalities in this regard.
- Stakeholder management.
- Speech writing on behalf of the Mayor and Speaker to present at Council meetings and other events.

Strategic objectives:

- Build good relationships between the Municipality and identified target publics (internal as well as external) and stakeholders.
- To further public understanding about the Municipality's services, policies, procedures, goals and activities.
- To uphold the image and reputation of the Municipality.

Key issues for 2010 – 2011:

- The publication of three issues of *Cacadu News*, the official external newspaper of the Cacadu District Municipality.
- The establishment and coordination of the monthly Communication Core team meetings, consisting of a representative from the Office of the Premier, Government Communication and Information Systems, the Speaker of Council, the Public Relations Officer and other representatives of the Cacadu District Municipality.
- Coordination of the quarterly District Communicator's Forum, which convened three times during the 2010/2011 financial year.
- Ongoing communication with media, media management of key municipal issues and media support to council meetings.
- Roadshow to Local Municipalities in order to assess communication needs.
- Revamping the municipal website of the Cacadu District Municipality.

- Providing branding and media support to district events, such as the Executive Council Outreach, which took place in October 2010.
- Representing the Municipality at national events such as the Getaway Show (Sept 2010) and Tourism Indaba (May 2011).
- Development and implementation of media campaigns for Municipal programmes, such as the Connect with Cacadu initiative.
- Profiling of the new council of the Cacadu District Municipality in relevant media.
- Assisting with the successful execution of national events such as the Tour of South Africa cycling event, which took place in the Cacadu District in February 2011.
- Co-ordination of the localization of the State of the Nation Address, State of the Province Address and the Budget speech.

Analysis of function:

Number and cost of personnel associated with the Public Relations function:

1 Public Relations Officer Cost: R214 531

Grants and subsidies received:

None

FUNCTION: PLANNING AND DEVELOPMENT
SUB-FUNCTION: DISTRICT WIDE STRATEGIC PLANNING

Overview

This includes all activities relating to the formulation, monitoring of implementation, evaluation and review of strategic plans for the entire district.

Description of the Activity

The function of **integrated development planning** is administered by the Department: Infrastructure Services and Planning.

The main activity is to formulate a **five year strategic plan**, monitor and support those implementing the plan, and review the plan annually, in terms of Chapter 5 of the Municipal Systems Act 32 of 2000 (including notice R796 regulations) and in terms of the Municipal Finance Management Act 56 of 2003

Strategic objectives:

- Integrated development planning for the district as a whole, including a framework for integrated development plans of all category B municipalities. This includes the development and / or review of the following:
 - The Spatial Development Framework. (SDF)
 - Updated socio-economic profiles.
- To become an established and effective integrated development planning authority in the Cacadu District through:
 - Facilitating the District's service delivery through infrastructure and services that are planned, delivered, upgraded or managed in such a way that support the District's vision and priorities.
 - Facilitating the prioritization of infrastructure projects and programmes that support the District's vision and priorities.
- Co-ordination and support to the planning function of local municipalities

Key issues for 2010/2011

- The timely review of the District Municipality's Integrated Development Plan for 2011/2012, which included the following key activities:
 - Development of a district-wide IDP Review Framework Plan that was adopted by all category B municipalities and used to develop Process Plans for IDP review.
 - Compilation of an IDP & Budget Schedule in conjunction with the Finance Unit, in line with the MFMA.

- Facilitation of various meetings and workshops with the following stakeholders: nine category B municipalities; provincial sector departments; private business sector; public entities; NGOs & CBOs
 - Development of capacity within CDM departments through using CDM resources as opposed to engaging external service providers
 - Fulfilling horizontal alignment between municipalities and vertical alignment requirements
 - Analysis of development priorities
 - Review and, where required, amendment of strategies, objectives and projects
 - Review of sector plans and operational strategies
 - Development of new plans in areas where plans were not in place
 - Aligning and integrating programmes and plans to the PGDP of the Eastern Cape government
 - Strengthening and improving public participation
 - Preparation of IDP review document and submission thereof to Council for approval
- The IDP was reviewed without assistance from external service providers. This resulted in increased staff participation and increased strategic planning capacity within the CDM. This has also brought about considerable savings.

Analysis of Function:

IDP support to the nine category B municipalities is delivered using the District Framework Plan that serves as a guide on critical steps in planning and timeframes.

Number personnel associated with the Planning function:

1x Head: Planning
 2x Development Planners
 1x Infrastructure Planner

FUNCTION: PLANNING AND DEVELOPMENT
SUB-FUNCTION: OTHER (CAPACITY BUILDING)

Overview

According to Section 83(3) of the Municipal Structures Act (MSA) No.117 of 1998, district municipalities have an obligation to assist local municipalities within their demarcated areas by building their capacity to perform their functions and exercise their powers where such capacity is lacking.

Description of the Activity

The function of capacity building is co-ordinated by a Capacity Building Unit in the Office of the Municipal Manager. Capacity building initiatives are however performed and/or managed in all Departments of the CDM.

The activity is performed by implementing initiatives aimed at empowering local municipalities to enable them to discharge their constitutional mandate and meet specific legislative prescripts. These initiatives include:

- facilitating shared services among the local municipalities in the District
- co-ordinating district wide capacity building and training projects
- conducting specific capacity building and training projects per local municipality based on identified needs
- ensuring the efficient utilization of resources
- managing the information resource centre
- compiling, maintaining and managing a district information management system in collaboration with all departments.
- sourcing funds for the implementation of programmes and projects within the district.
- establishing knowledge sharing networks within and beyond the district aimed at strengthening capacity building initiatives in the district.

Strategic objectives:

Local municipalities that are:

- able to perform their legislated powers and functions and efficiently deliver cost effective services to their communities
- Self sufficient, developmental in nature and financially sustainable.
- Closely networked and have functioning knowledge sharing structures both within the district and beyond.

Key issues for 2010/2011

Initiatives in the following categories were implemented or were in progress for capacity building and support to local municipalities during the year under review:

Human Resources

- Technical support to local municipalities
- Support with recruitment and selection processes
- Support with Workplace Skills Plans
- Support with HR Policy development
- Labour Relations Support

Finance Support

Practical MFMA training

Budget and Budgetary Controls and preparation of Annual Financial Statements

Caseware successfully implemented and practical training provided to local municipalities.

Internal Audit

Internal audit is outsourced and the function is performed by KPMG who are the internal auditors for most of the local municipalities

Audit Committees

Audit committees are in place and have been functioning well throughout the year.

Procurement

- Developed and implemented policy and conducted staff training in Supply Chain Management
- New legislation resulted in various changes and updates to the requirements in respect of procurement.

General:

The following progress was made during the year with the review and re-alignment of structures, Roles and Responsibilities and Delegations

- **Sunday's River Municipality**

This municipality has made considerable progress with the adoption of Standing Rules and Orders, Delegation Framework, Internal Delegations and financial policies.

- **Ikwezi Municipality**

The new Standing Rules and Orders have been workshopped and are awaiting adoption by the Council. The internal delegation register has been workshopped with the Municipal Manager and Top Management. A workshop must still be arranged with Councillors to complete the Policy on Roles and Responsibilities and the delegation of power to political office bearers.

- **Camdeboo Municipality**

New Standing Rules and Orders have been adopted by the Council.

The Policy on Roles and Responsibilities/Delegation of Power has been partially workshopped with Councillors. The internal delegation register has been workshopped with the Municipal Manager and Top Management and is awaiting submission to the Council for formal adoption/notification.

The financial policies have been adopted.

- **Koukamma Municipality**

The Standing Rules and Orders and the Policy on Roles and Responsibilities/Delegation of Power were adopted during the time when the municipality was placed under administration. However when the municipal manager was appointed he appointed a new service provider to undertake the project.

- **Makana Municipality**

The Standing Rules and Orders and the Policy on Roles and Responsibilities/Delegation of Power have both been adopted. The Standing Rules and Orders have been published as a by-law.

- **Cacadu District Municipality**

The new Standing Rules and Orders have been adopted.

The revised internal delegations register and the Policy on Roles and Responsibilities must still be workshopped.

PMS support to Blue Crane Route, Makana, Ndlambe, Koukamma and Camdeboo

IDP support to all LMs

Local Economic Development

1. LED officers and portfolio councilors have been received training to both improve their understanding of LED and build appropriate LED systems to improve project generation, management, monitoring and evaluation.
2. Cacadu District Municipality facilitated the establishment of District Support Teams in order to provide knowledge management and continuous learning on LED practices for LED officials.
3. The District Municipality has developed a Local Economic Development Framework that act as a Quality Management Tool to facilitate LED in the District.

Tourism

1. Establishment of Local Tourism Organizations
 - To date LTOs have been established in Baviaans, Camdeboo, Kouga and Makana Municipalities. Blue Crane Route, Ikwezi and Sundays River Valley and Koukamma Municipalities are in the process of establishing their respective LTOs.
2. Tourism Development Support Programme
 - Support to Local Tourism Organizations
 - Support Festival and Events
 - Support to Tourism Education and Training

Analysis of Function:

Number and cost of personnel associated with the Capacity Building function:

1 Capacity Building Manager R550 000

1 Administrative Officer (Vacant)

FUNCTION : HEALTH SERVICES**SUB-FUNCTION : PRIMARY HEALTH CARE SERVICES**

Overview

Includes all activities associated with the provision of primary health care services which, until 31 December 2010, were performed by the Municipality as an agent for the East Cape Provincial Department of Health.

Description of Activity

The function of provision of community health clinics within the municipality is administered as follows:

The Cacadu District has been divided into three Health Sub-Districts (HSDs). The total population of the Cacadu District is 419 337 as per the Eastern Cape Cacadu – Facility Population Mid-Year estimates. Details of distribution of the population between the Health Sub-Districts are as follows:

Camdeboo Health Sub District

(Camdeboo, Blue Crane Route, Ikwezi, Baviaans Municipalities and ECDMA) – 118 181

Makana Health Sub District

(Makana and Ndlambe Municipalities) – 140 084

Kouga Health Sub District

(Kouga, Koukamma and SRV Municipalities) – 161 072

The service was rendered by CDM at 25 fixed clinics, 11 satellite clinics and 27 mobile clinics throughout the District, mainly in smaller towns and farming areas. The service was also rendered by seven local municipalities in the larger centres. Ikwezi and Baviaans Municipalities have seconded their PHC staff to CDM to render PHC services in their areas.

The function of provision of Primary Health Care services within the municipality included:

- Maternal and Child Health Services
 - Reproductive Health including contraception and pap smears
 - Antenatal
 - Postnatal
 - Child Health (0 - 5 years), including immunization, nutrition and growth monitoring
 - Youth health (6 – 18 years)
- Provision of promotive, preventive and primary level (minor ailments) services

- Provision of Essential Medicines, including those for minor ailments as well as chronic medication (drug management)
- Provision of curative services to combat non communicable diseases such as treatment of curative and chronic conditions
- Provision of services to combat and control communicable disease, which includes screening, medication, counselling and laboratory services for the following conditions:
 - Tuberculosis
 - Sexually Transmitted Infections (STIs) and HIV and AIDS
 - Notifiable diseases
- Provision of EPI Surveillance Programme Services, which include:
 - Delivery of safe patent vaccines to appropriate target groups, using effective vaccination strategies
 - Effective disease surveillance and control measures to permit the early detection and investigation of cases and/or outbreaks and the implementation of appropriate responses.
- Provision of geriatric health services
- Provision, implementation and maintenance of an effective Health Information System
- Other services
 - Maintenance of laboratory services
 - Clinic infrastructure and equipment
 - Effective disposal of medical waste
 - Training of managers and staff

These services extended to include HIV and Aids awareness programmes, capacity building programmes and special health projects, but did not take account of EMRS Services which are provided by provincial government.

Strategic Objectives

The strategic objectives of the PHC function are to:

- Improve the health status of the communities through the provision and maintenance of a comprehensive package of PHC service at each CDM service point
- Improve the health status of the community through a functionally integrated Primary Health Care service (PHC)
- Improve the HIV and AIDS status of the community

- Provide effective management systems within the Health Department

Key issues for period July - Dec 2010:

- Continued implementation of strategies to integrate health care services in the District through:
 - Attendance of various structures so as to keep abreast of the provincialisation process, which was implemented on 1 January 2011
 - The maintenance of a District Health Council (DHC) with representation from Local Municipalities (LMs) Eastern Cape Department of Health (ECDoH), Local Service Area (LSA) Managers and CDM.
- Continual interaction with ECDoH to try and address the ever decreasing financial allocations with resultant shortfalls on the PHC budget.
- -Ensure health training takes place in accordance with the submitted skills development plan
- Ensure the provision and evaluation of a comprehensive PHC service at each service point
- Ensure the equitable distribution and accessibility of PHC services within the area through the reviewal of mobile clinic service routes, set and satellite clinic coverage
- Ensure the implementation of a performance review system.

Analysis of function

Number and Cost of Health Clinic Personnel and number and general running cost per clinic / service point as at 31 December 2010

Cost Centre	Type of Service Point	Category of Staff	No. Budgeted For 2010/2011	BUDGET 2010/2011		
				Personnel Cost	General Running Cost	Total Cost
MANAGEMENT						
Management	Head Office	Manager Health Services	1	675,368	152,209	827,577
		Personal Assistant	1			
		Typist/Clerk	1			
Head Office	Head Office	Manager PHC	1	750,286	443,375	1,193,661
		Chief Professional Nurse (Admin)	1			
		Senior Typist Clerk	1			
		Clerk	1			
		Clerk	1			
TOTAL			8	1,425,653	595.583	2.021,236
MAKANA HEALTH SUB-DISTRICT						
Sub-Office	Sub-Office	Chief Professional Nurse	1	643,904	283,277	927,181
		Senior Professional Nurse	3			
EC 104 Makana	3 Mobiles 2 Set 0 Satellite	Professional Nurse	6	1,062,475	386,846	1,449,321
		Other	8			
EC105 Ndlambe	4 Mobiles 4 Set 0 Satellite	Professional Nurse	12	2,119,032	1,082,144	3,201,176
		Other	13			
EC106 Sundays River Valley	3 Mobiles 2 Set 3 Satellite	Professional Nurse	9	2,019,681	729.686	2,749,368
		Other	8			
TOTAL	10 Mobiles 8 Set 3 Satellite	Chief Professional Nurse	1	5,845,093	2,481,954	8,327,047
		Senior Professional Nurse	3			
		Professional Nurse	27			
		Other	29			
		Total	56			
KOUGA HEALTH SUB-DISTRICT						
Sub-Office	Sub-Office	Chief Professional Nurse	1	590,283	388,848	979,132
		Senior Professional Nurse	3			
		Senior Clinic Assistant	0			
EC 108 Kouga	2 Mobiles 6 Set 1 Satellite	Professional Nurse	13	2,798,899	1,546,375	4,345,274
		Other	12			
EC109 KouKamma	4 Mobiles 7 Set 3 Satellite	Professional Nurse	13	2,604,405	1,202,508	3,806,914
		Other	11			
TOTAL	6 Mobiles 13 Set 4 Satellite	Chief Professional Nurse	1	5,993,588	3,137,732	9,131,320
		Senior Professional Nurse	3			
		Professional Nurse	26			
		Other	23			
		Total	49			

Cost Centre	Type of Service Point	Category of Staff	No. Budgeted For	BUDGET 2010/2011		
				Personal Total	General Running Total	Grand Cost
CAMDEBOO HEALTH SUB-DISTRICT						
Sub-Office	Sub-Office	Chief Professional Nurse	1	694,486	219,981	914,467
		Senior Professional Nurse	2			
		Senior Clinic Assistant	1			
EC 101Camdeboo	3 Mobiles 0 Set 1 Satellite	Professional Nurse	3	781,576	318,738	1,100,314
		Other	4			
EC102 Blue Crane Route	3 Mobiles 0 Set 2 Satellite	Professional Nurse	4	1,121,917	586,667	1,708,584
		Other	3			
EC 103 Ikwezi	1 Mobiles 2 Set 0 Satellite	Professional Nurse	4	161,444	131,687	293.132
		Other	5			
EC107 Baviaans	2 Mobiles 1 Set 0 Satellite	Professional Nurse	4	1,089,910	391,499	1,481,409
		Other	4			
ECDMA 10	2 Mobiles 1 Set 0 Satellite	Professional Nurse	3	400,597	383,057	783,654
		Other	3			
TOTAL	11 Mobiles 4 Set 3 Satellite	1 Chief Professional Nurse	1	1,249,931	2,031,631	6,281,562
		2 Senior Professional Nurse	2			
		Professional Nurse	18			
		Other	20			
		Total	41			
TOTAL (BUDGET) 1 July - 31 December 2010				R 25,761,166		
ACTUAL EXPENDITURE TO 30 DECEMBER 2010				R 21,385,250		
SUBSIDY RECEIVED FROM PROVINCIAL DEPARTMENT OF HEALTH				R 21,433,889		
SURPLUS/(DEFICIT)				R 48,639		

PHC SERVICE STATISTICS 1 July - 31 Dec 2010

No	INDICATOR	DEFINITION	YEAR	CAMDEBO O HSD	KOUGA HSD	MAKANA HSD	DISTRICT AVERAGE	NATIONAL NORM
1	Utilisation Rate (National Norm = 3.5)	Number of visits per person per year to a public health facility	2007/2008	3.5	3.1	3.9	3.5	3.5
			2008/2009	3.6	3.5	4.1	3.7	
			Jul-Dec 2010	3.3	3.2	3.6	3.3	
2	Nurse Clinical Workload	Average number of patients seen by the PN per clinic weekday	2007/2008	40.6	52.7	39.6	43.6	40
			2008/2009	34.5	50.2	40.4	41.4	
			Jul-Dec 2010	30.4	38.2	31.5	33.4	
3	Children under 5 years weighing rate	The number of children below 5 years being weighed at each visit	2007/2008	71.0	75.3	70.0	72.3	90%
			2008/2009	71.9	82.1	67.2	74.5	
			Jul-Dec 2010	77.0	93.0	71.0	82.2	
4	Severe malnutrition under 5 years incidence	The number of children who weigh below 60%. Expected weight for age under 5 years weighed	2007/2008	0.3	0.3	0.06	0.2	Less than 1%
			2008/2009	0.2	0.2	0.06	0.1	
			Jul-Dec 2010	3.6	6.8	2.5	4.6	
5	Diarrheal Incidence under 5 years	Diarrheal Incidence Rate (2007/2008 no data available)	2007/2008	0	0	0	0	Not stated
			2008/2009	2.3	4.0	2.0	2.9	
			Jul-Dec 2010	81.3	92.1	32.0	71.2	
6	Immunisation coverage under 1 year	Immunisation coverage under one year namely the percentage of all children in the target group under one year who completed the primary immunization course	2007/2008	62.8	80.1	79.4	74.5	90%
			2008/2009	71.1	94.1	81.3	83.2	
			Jul-Dec 2010	70.4	88.1	77.5	79.4	
7	Low birth weight rate	Low birth weight refers to babies who weigh less than 2.5 kg at birth	2007/2008	22.1	16.0	16.3	17.7	Less than 10%
			2008/2009	22.3	18.9	14.5	18.5	
			Jul-Dec 2010	24.3	16.1	15.1	18.1	
8	Caesarean Section rate	The number of caesarean section deliveries expressed as a percentage of total deliveries	2007/2008	10.1	17.7	22.1	17.0	12.5%
			2008/2009	10.9	11.7	21.0	14.5	
			Jul-Dec 2010	14.3	13.5	22.1	16.3	
9	Delivery Rate to women under 18 years	Percentage of deliveries by women under 18 years	2007/2008	11.3	9.4	6.6	9.0	13%
			2008/2009	10.8	11	7.8	9.9	
			Jul-Dec 2010	11.2	12.5	7.5	10.6	
10	Antenatal visits before 20 weeks rate	Antenatal visits before 20 weeks rate is the percentage of women who visit the clinic before they are 20 weeks pregnant	2007/2008	43.2	49.0	52.9	48.7	40%
			2008/2009	46.4	49.1	50.6	48.9	
			Jul-Dec 2010	49.1	51.7	60.7	53.6	

PHC SERVICE STATISTICS 1 July - 31 Dec 2010 (contd)								
No.	INDICATOR	DEFINITION	YEAR	CAMDEBO O HSD	KOUGA HSD	MAKANA HSD	DISTRICT AVERAGE	ACTION NORM
11	HIV prevalence among antenatal clients tested	Percentage of women who are tested positive for HIV during first antenatal visit (voluntary)	2007/2008	6.8	17.8	17.4	15.2	Not state d
			2008/2009	10.1	17.9	19.1	16.3	
			Jul-Dec 2010	9.3	15.5	16.9	14.6	
12	STI Partner Treatment Rate	Number of STI partners that report back to facilities for treatment as a percentage of notification slips issued	2007/2008	32.7	23.5	18.4	22.9	40%
			2008/2009	24.1	22.9	21.0	22.3	
			Jul-Dec 2010	27.6	26.9	21.8	24.9	
13	New smear positive PTB cure rate	Cure rate of new smear TB cases	2007/2008	69.0	73.5	79.8	75.0	85%
			Jul-Dec 2010	64.4	81.7	69.4	74.4	
14	New smear positive PTB defaulter rate	PTB defaulter rate (break in treatment) amongst new smear positive PTB	2006/2007	2.0	9.0	6.6	5.1	Less than 5 %
			Jul-Dec 2010	12.1	7.4	5.3	8.0	

FUNCTION: COMMUNITY SERVICES
SUB-FUNCTION: ENVIRONMENTAL HEALTH

Overview

Includes all activities relating to the provision of Environmental (Municipal) Health Services (MHS).

Description of activity

The function of Municipal Health Services in the Municipality is administered as follows:

The Municipality has entered into agreements with the local municipalities of Kouga, Blue Crane Route, Camdeboo, Makana and Ndlambe, and Sundays River Valley to render MHS on its behalf in their respective areas of jurisdiction.

CDM appointed a service provider to render EHS/MHS in Kou-Kamma Municipality as a short to medium term measure until the end of December 2010. CDM has permanently appointed an EHP to fully service Kou-Kamma Municipality from the 01 January 2011 and the services are running smoothly. The DMA, Ikwezi, Baviaans and now Kou-Kamma local municipality areas are serviced by 3 Environmental Health Practitioners (EHP's), employed by CDM.

The function includes the following activities:

- Water Quality Monitoring
- Food control
- Waste Management
- Health surveillance of premises
- Pauper Burial
- Surveillance and Prevention of Communicable Diseases
- Vector control
- Environmental pollution control
- Evaluation of Cemeteries, mortuaries and funeral undertaker establishments
- Attending to applications for exhumations and re-burials
- Active Environmental Education Sessions and Awareness Campaigns/ Programmes

The function as rendered by the Municipality excludes Port Health, Malaria Control and Hazardous Substances.

The strategic objectives of this function are to improve the health status of communities serviced through the identification, evaluation and control of critical factors that affect the physical, social and mental well-being of communities. MHS/EHS are mainly preventative health services, therefore is largely protecting public health and preventing health hazards/risks and diseases.

Key issues for 2010/2011:

- Highlighting and reporting a district overview of water quality in structures such as Mayoral Committee, District Wide Infrastructure Forum, Municipal Managers Forum and the District Mayor's Forum
- Maintenance of Environmental Health Joint Management Committee with all local municipalities.
- Health awareness projects were held in Ikwezi, Kou-Kamma and Baviaans Municipalities on waste management, water conservation and demand management, health and hygiene (water and sanitation) and food hygiene.
- Pest control outreaches were conducted and focused on dogs and cats' vaccination, dipping and deworming in Willowmore, Rietbron, Klipplaat, Jansenville, Glenconner, Wolvefontein, Kleinpoort, Vondeling and Miller.
- Training of formal food traders on 5 Keys to Food Safety and Hygiene Practices in Baviaans (Steytlerville and Willowmore) and Ikwezi (Klipplaat and Jansenville).
- Community Food Gardens were initiated and coordinated by EHP's in the DMA (two in Kleinpoort, one in Glenconner, one in SRVM (Kirkwood), one in Kou-Kamma (Kareedouw) and two in Steytlerville.
- Waste management and clean-up campaigns were conducted in Ikwezi (one in Jansenville and one in Klipplaat) and one in Baviaans (Steytlerville).
- The quality of water and food was monitored through routine inspections and drawing of water and food samples throughout the district.
- Disease outbreak monitoring executed with local municipalities in relation to both water-borne and food-borne diseases such Cholera, Shigella Dysentery and Swine Fever throughout the district.

Analysis of function

Number and cost of personnel associated with Environmental Health Function

Three Environmental Health Practitioners (Kou-Kamma, Ikwezi and DMA South and Baviaans and DMA North) and Manager: Environmental Health Services are employed by CDM. The total budget for the Environmental Health Service is **R8, 786,825.00**. This includes the CDM Head Office budget that is also used to service District Management Area, Ikwezi and Baviaans local municipalities and an allocation/subsidy to 6 Local Municipalities that have entered into service level agreement with CDM.

CDM contributions/subsidy to local municipalities for rendering EHS/MHS has increased substantially over the years from 2006. In the 2010/11 financial year the subsidy was based at R19.90 per capita while CDM remained receiving R12.00 per capita from National Treasury, which indicates under funding of this service by National Government.

During 2010/11, contributions were paid to the LM's for MHS as follows:

• Kouga	R1,411,412.00
• Makana	R1,508,141.00
• BCR	R 698,968.00
• Camdeboo	R 885,858.00
• Ndlambe	R1,107,627.00
• SRV	<u>R 830,136.00</u>
Total	<u>R6, 442,142.00</u>

This excludes an additional R 673,769.00 set aside for EHS/MHS in Kou-Kamma Municipality and additional four (4) vehicles purchased by CDM for the LM's such as: two bakkies for SRVM, one bakkie for BCRM and one sedan for Ndlambe.

This financial year (2010/11) CDM fully funded this service (EHS/MHS) as CDM did not receive allocation/subsidy from the Eastern Cape Department of Health (Bhisho) as a co-funding for the delivery of EHS/MHS.

Lastly, in this financial year (2010/11) Council took a resolution of devolving EHS/MHS through the signing of the PPSLA (service level agreement) or appointing as CDM agencies Municipalities of Ikwezi and Baviaans for the financial year (2012/13) and that in the financial year of 2011/12 all preparatory work must be finalised.

FUNCTION : COMMUNITY AND SOCIAL SERVICES**SUB-FUNCTION: ALL INCLUSIVE**

Overview

Includes activities associated with provision and upgrading of cemeteries, community halls, libraries and crèches, programmes for the empowerment of Youth, Women and the Disabled, programmes towards mitigation of the effect of HIV and Aids on communities, and heritage related matters.

Description of Activity

The implementation of Special Programmes for Youth, Women and the Disabled, HIV and Aids mitigation measures, co-ordination of the Community Development Workers (CDW) programme throughout the District, as well as preparation of business plans to access funds for and monitoring of purchase of library equipment, are administered in the Office of the Executive Mayor and Municipal Manager.

The function of provision and / or upgrading of community facilities within the Municipality is administered in the form of infrastructure projects and is performed by the Department : Infrastructure Services in response to specific requests from Local Municipalities or communities in the DMA.

The provision of cemeteries also includes administrative functions relating to acquisition, subdivision and rezoning of land, which functions are dealt with by the Department : Finance and Corporate Services, and all activities necessary to comply with any conditions attached to the land use approvals granted by other relevant bodies, e.g. landscaping, environmental management planning, layout planning, fencing, ablution facilities, etc, which are performed by the Department : Infrastructure Services.

Strategic Objectives

The strategic objectives of this function are:

- to ensure that communities are provided with facilities they need in terms of social upliftment and human dignity
- to improve the HIV and Aids status of the community

Key Issues for 2010/2011**Libraries**

- Installed “Connect with Cacadu” project in 10 more libraries within the District, providing access to internet and a range of educational software for use, free of charge, by communities
- Library funds distributed to local municipalities on receipt of substantiated claims for purchase of library furniture, books and equipment

Special Programmes

- Provided support to Local Municipalities with development of their youth empowerment, empowerment of disabled persons and women empowerment policies.
- Provided support to Local Municipalities with development of strategic plans for the above mentioned policies.
- Hosted commemoration days

HIV and Aids

- Provided support to local municipalities to revive their Local Aids Councils
- Conducted training for Local Aids Council members on roles and responsibilities
- Commemoration of the Provincial World Aids Day

Analysis of function

The vacant posts of Special Programmes Officer and HIV and Aids Co-ordinator were filled during the year under review.

No specific personnel are allocated to the function of provision and/or upgrading of libraries and other community facilities within the municipality. Staff employed for other ongoing infrastructural and administrative functions are utilised for this purpose on an ad-hoc basis.

Number and cost of personnel associated with the Community and Social Services Function:

FUNCTION: PUBLIC SAFETY
SUB-FUNCTION: DISASTER MANAGEMENT

Overview

Includes planning, co-ordination and alignment of disaster management activities throughout the District.

Strategic Objectives:

- Mitigate disasters in the Cacadu District
- Support and Capacitate local municipalities within the District and Communities at Risk on Disaster Risk Management issues.

Description of activity

The main activity is to co-ordinate disaster management activities in the Cacadu District consistent with the provisions of the Disaster Management Framework and Disaster Management Act 57 of 2002. The framework covers the following KPAs and Enablers:

KPA 1: Integrated Institutional Capacity for Disaster Risk Management

Under this KPA, the following was achieved during the 2010/11 Financial Year:

The first and second draft Disaster Management Plan has been tabled to the Management for comments and is awaiting adoption by Council. This plan was drawn according to the risks identified during the risk study. Cacadu Disaster Management Centre also assisted in drawing up plans for all nine local municipalities within the district. Draft disaster plans for local municipalities have also been forwarded to the respective local municipalities.

KPA 2: Disaster Risk Assessment

On 22 December 2010, Aberdeen in Camdeboo Local Municipality was affected by flash floods. Cacadu DM Centre visited the area on 22 December 2010 for assessment. About 19 houses were partially damaged, roofs blown away and windows broken

KPA 3: Disaster Risk Reduction

Cacadu Disaster Management Centre played a significant role in ensuring that the 2010 PVA was a success. The Centre drew up a contingency plan for the event. The Centre was also involved in ensuring that the Cell C Cycling Tour was successful and safe.

KPA 4: Disaster Response and Recovery

On 14 June 2010 heavy snow fell in the Camdeboo area, resulting in road closures in some areas. A City to City bus was trapped overnight. This weather spread to the N10 route between Paterson and Cradock. Oliphant Kop pass was closed as well for few hours. Provincial traffic services were deployed there for traffic control.

On 8 June 2011 Cacadu District was affected by floods and the following local municipalities were badly affected.

- Kouga Municipality
- Koukamma Municipality
- Ndlambe Municipality
- Makana Municipality and
- Sundays River Valley Municipality.

Relief in the form of blankets and mattresses were provided to the local municipalities. In some local municipalities, soup kitchens were set up.

Enabler 1: Information Management and Communication

The Information System has been installed at the DM Centre and in the following local municipalities:

- Kouga Municipality
- Makana Municipality
- Ndlambe Municipality And
- Camdeboo Municipality

Radios have been installed to improve communication in the following local municipalities:

- Sundays River Valley Municipality
- Kouga Municipality
- Makana Municipality
- Ndlambe Municipality
- Camdeboo Municipality

Enabler 2: Education, Training, Public Awareness and Research

Description of projects undertaken, public awareness programmes and how communities were involved.

Cacadu DM Centre has embarked on a number of projects with local municipalities. The projects were.

- Cleaning of storm water drainage system and.
- Fire breaks

The Disaster Management volunteers were utilized in these projects, monitored by Disaster Management Satellite Officers

Participation and responsibilities relating to the FIFA 2010 World Cup. (e.g. achievements, financial implications, etc.).

The Cacadu District Municipality PVA for 2010 World Cup was hosted by Makana Municipality in Grahamstown.

In preparation for the 2010 World Cup, a task team for Safety and Security was established and meetings were held. Kouga municipality also had a PVE (Public Viewing Event) which was held in Jeffreys Bay.

Best Practice / Achievements / Successes

Cacadu DM Centre created temporary jobs for volunteers by carrying out projects such as fire hydrant cleaning and marking, provision of fire breaks, and storm water drainage cleaning. These were projects aimed at utilizing disaster management volunteers and paying them a stipend in compensation for their time and dedication.

FUNCTION: PUBLIC SAFETY
SUB-FUNCTION: FIRE

Overview

Activities relating to managing fire services serving the District as a whole during the 2010/2011 financial year.

Description of activity

The function of fire fighting within the municipality is administered within the Disaster Management Centre and includes:

- planning, co-ordination and regulation of fire services throughout the Cacadu District
- provision of specialized fire fighting services such as mountain, veld and chemical services
- co-ordinating of the standardization of infrastructure, vehicles, equipment and procedures
- training of fire officers

Strategic Objectives:

- Assist local municipalities with the development of fire services plans for their areas
- Assist each local municipality with the implementation of its fire services plan by rendering support with:
 - establishment of satellite fire stations in identified areas
 - appointment of full time fire officers
 - recruitment of fire fighters, reservists and/or volunteers
 - acquisition of fire/rescue vehicles, equipment and tools
 - training of fire officers, fire fighters, reservists and volunteers
- Lobby for funding to assist local municipalities with implementation of their fire services plans
- Prepare business plans where necessary to secure funding
- Make general public aware of the dangers of fires

The key issues for 2010/2011

- Implementation of the Section 78 Assessment of Fire Service by entering into Service Level Agreements with Local Municipalities.
- 30 Fire Officers within the District trained in Fire Fighter 1, Hazmat Awareness and Basic Ambulance Assistant.
- Improved fire service delivery at local municipalities by:
 - Purchasing of a Multi-purpose Hazmat Fire engine, with equipment for Sundays River Valley Municipality.
 - Purchasing of Hazmat Trailer for Baviaans Local Municipalities.

- Purchasing of Hazmat equipment for Sundays River Valley and Baviaans local Municipalities.
- Procurement of Hydraulic Rescue Systems for Ikwezi, Blue Crane Route and Sundays River Valley Local Municipalities.
- Restoration of Fire Hydrants at all nine Local Municipalities.
- Preparing fire breaks at Koukamma Local Municipality.
- Presenting fire awareness and Hazmat Awareness at schools in Koukamma, Blue Crane Route, Sundays River Valley municipal areas and DMA.

Funding

No funding was received from Department of Provincial and Local Government.
CDM has made an amount of R9, 576,937 available for the unit for the 2010/2011 financial year.

Staff complement in the fire service unit:

1 x District Fire Co-ordinator
7 x Fire Reservists

Staff expenditure: R351 545

FUNCTION : ENVIRONMENTAL PROTECTION
SUB-FUNCTION : BIODIVERSITY AND LANDSCAPE

Overview

Includes activities related to the protection of flora and fauna species, the protection of habitats and the protection of landscapes for their aesthetic values.

Description of the Activity

The function of biodiversity and landscape is administered jointly by the Economic Development and the Infrastructure & Planning Department. At present the main activities are :

- ensuring participation by local municipalities in biodiversity capacity building programmes; and
- participating in meetings of planning forums such as the Greater Addo (SANParks) Planning forum, the Baviaanskloof Mega-Reserve Steering Committee, the Eastern Cape Biodiversity Implementing Committee, as well as the Coastal Management Steering Committee.

Strategic Objectives

To safeguard the District's biodiversity in terms of indigenous plants and animals and the processes that sustain them

Analysis of Function

No specific personnel are allocated to this function, which is dealt with by officials within the respective Departments.

FUNCTION: ROAD TRANSPORT
SUB-FUNCTION: OTHER (TRANSPORT PLANNING)

Overview

Includes all activities related to transport planning for the entire District in accordance with the National Land Transport Act, No. 5 of 2009 (NLTA).

Description of Activity

The road transport function of the municipality is administered by the Department: Infrastructure Services & Planning and includes:

- Review of the Integrated Transport Plan through the provision of a five-year prioritized implementation programme for the improvement of the transportation system within the District.
- Identifying infrastructure and public transport needs in the District
- Lobby for funding for transport infrastructure
- Promote road safety in the District
- Construction of public transport facilities including sidewalks
- Formulate guidelines for transport planning purposes

The Strategic Objectives of this function are to:

- To promote mobility
- Promote non-motorized vehicle usage.
- Promote public transport usage.
- Improve existing public transport facilities.
- Improve CDM road conditions.
- To promote an integration between spatial planning and transportation planning to achieve sustainable human settlements
- To provide technical support to the Local Municipalities

Key issues for 2010/2011

- In the process of analyzing the recently developed Accident Database in collaboration with CSIR in order to treat and monitor the occurrence of road accidents for planning and road safety purposes
- In the process of refining the recently developed Road Prioritization Model for the prioritization of roads in the District and packaging of priorities for purposes of lobbying for funding in collaboration with CSIR.

- In the process of adopting the District's Integrated Transport Plan.

Analysis of Function

Statistical information not applicable as function is limited to planning only.

Number of all personnel associated with the road transport function:

1 x Infrastructure Planner

FUNCTION:	OTHER
SUB-FUNCTION:	OTHER : PERFORMANCE MANAGEMENT

Overview

Includes all activities related to monitoring the organisational and individual performance of the Cacadu District Municipality and its officials.

Description of Activity

The function of Performance Management within the Municipality is performed in the Office of the Municipal Manager, and includes monitoring the implementation of the Integrated Development Plan (IDP) through the SDBIP and the performance of all employees within the Cacadu District Municipality. The function also performs a supporting role to the Local Municipalities with regards to Performance Management.

Legislation states that key performance indicators and targets must be implemented to enable continual monitoring of the municipality and its administration. These indicators pin-point areas of focus for each financial year as developed through the process of public participation, and are listed in the IDP. Once approved, the IDP is married with the budget in a document called the SDBIP (Service delivery and budget implementation plan) which provides a workable management tool from which to operate under and monitor progress. The SDBIP is then used to develop a personalised performance plan system for each and every official, through the delegation of activities included in the SDBIP, and agreed upon individual performance plans. The SDBIP and performance plans of the Municipal Manager and Directors are published on the Municipal website.

Through quarterly monitoring, performance of each individual is tracked to ensure that progress remains in line with what was originally planned. The final result is included per functional area in the annual report.

Strategic Objectives

To ensure implementation of the Municipality's Integrated Development Plan and continued improvement in the standard of performance of the Cacadu District as a whole through the following: -

- Increased certainty of job roles, accountability and transparency of both officials and the institution
- Increased communication across the institution
- Provision of a platform for learning and development
- Facilitation of decision making through the clarification of goals and priorities
- Provision of early warning signals highlighting underperformance so that timely interventions can steer performance back on track

- Continual assessment of the performance of the Municipality so as to address areas requiring improvement
- Investigation and assessment of outcome indicators to guide strategic direction
- Creation of a culture of performance at CDM amongst all officials including recognizing excellent performance and curtailing and correcting poor performance
- Capacitation of officials at Local Municipalities within the District, to enable the entire District to benefit from the above

Key Issues for 2010/2011

- Entrenchment of the CDM performance management system to all employees to ensure continual monitoring of performance through quarterly reviews
- Training of all CDM employees in the above system.
- Third final performance reviews for the Municipal Manager and sec 57 Managers held with full review panels into the regulation, 2006.
- Continued refinement of the performance management automated system to ensure compliance with legislation and effectiveness of it.
- Regular quarterly performance reporting to Council on individual performance through reviews per department and institutional performance through the SDBIP.
- Continual Performance Management Support to LM's: Makana, Koukamma, Camdeboo and Blue Crane Route supported.
- Workshopping performance management with departments on a regular basis.

• Analysis of Function

One Senior Performance Management Systems Officer is employed to ensure the achievement of the above objectives at a total cost of R485 655 pa.

ANNEXURES

1. Performance Report 2010/11 (Page 159 - 181)
2. Auditor General's report on Annual Financial Statements and Performance (Page 182 - 186)
3. Management response to the findings of the AG report (Page 187 - 189)
4. Audit Committee report (Page 190 - 194)
5. Approved Municipal Structure (Page 195)
6. Council resolutions adopting the annual report (to follow)

KEY PERFORMANCE AREAS, KEY PERFORMANCE INDICATORS, TARGETS AND VARIANCES 2010/2011						
Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT						
To Assist LMs to provide adequate potable water and adequate sanitation by 2010	Improved infrastructure maintenance to water assets in Ndlambe from 5% to 10%	7% increase in infrastructure Operations & Maintenance improvement	Water	Project was advertised and busy finalising the Tender Evaluation Report.	Lagging	Evaluation Report will be submitted to the BAC during July 2011.
To ensure that there is an adequate bulk sustainable water source in the CDM region.	Improve unacceptable water quality for the community of Jansenville (Ikwezi) by developing suitable designs for a water treatment plant	Suitable designs that will be sustainable for the provision of potable water to the community of Jansenville in place	Water	Original scope of work was to develop A Reverse Osmosis Plan. This is being revisited by DBSA Technical Experts.	Lagging due to change of scope.	CDM will focus on Water Conservation and Demand Management involving the following: Rehabilitation of Existing Reservoirs, Bulk Water Meter Installation and Water loss minimization.
	Upgrade and Increase the capacity of the waste water treatment plant for the community of Nieu-Bethesda (Camdeboo)	Upgraded and Increased capacity treatment plant operational	Water	This is for upgrading the wastewater treatment works. Project delayed due to EIA historical problem. Scoping Report, Waste License Application and Section 24G application, has been submitted to DEDEA.	Lagging	Follow-up with local and National DEDEA is being done regarding the submissions.
	Increase water quantity for the community of Miller (DMA)	Additional water found and treated to augment the existing supply	Water	The project was completed during May 2011.	On Target	-

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT						
To ensure that there is an adequate bulk sustainable water source in the CDM region.	Increase water quantity for the community of Vondeling (DMA)	Additional water found and treated to augment the existing supply	Water	The project was completed during May 2011.	On Target	-
	Improve water quality and increase water quantity for the community of Glenconner (DMA)	Additional water found and treated to augment the existing supply	Water	Project Complete, savings transferred to Nieu-Bethesda VIP Phase 2.	On Target	-
	Upgrade sanitation system of Nieu-Bethesda from VIP's to waterborne toilets	Project complete	Planning & Develop.	Construction is progressing and the anticipated completion date is end October 2011.	Lagging	Camdeboo Municipality is busy with Augmentation of BWS Supply project, Council is upgrading of WWTW and the waterborne system will be fully in operation when the two projects are complete.
	Improve water supply to the Community of Pearston (Blue Crane Route)	1 000 households have access to rainwater as an alternative or augmentation to the Municipal supply	Water	The project has been transferred to BCRM and the Consultant Services have been terminated.	Lagging	The funds have been transferred to Blue Crane Route.
	Section 78(3) Phase 4 / Functional Shared Services Model for Karoo Municipalities (Ikwezi, Blue Crane & Bavians) to Improve operations in the water services	Shared Services Model in place	Water	Project has been abandoned for this financial year.	Lagging	Awaiting the District Water Indaba in the new financial year to continue with the shared services model if necessary.

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT						
To ensure that there is an adequate bulk sustainable water source in the CDM region.	Transfer of old Transnet Houses in the DMA to rightful beneficiaries. (Glenconner, Vondeling, Miller, Klienpoort, Wolwefontein)	Transfer of ownership of 14 houses to the Glenconner Community	Planning & Develop.	Contractor has completed the repairs to 14 houses in Glenconner. The Legal Adviser is dealing with the registration of houses in beneficiaries names.	Complete	
	Provide support to LM's to Improve on project planning, expenditure and implementation of MIG projects	100% Funds spent on project planning	Planning & Develop.	All funds have been spent.	Complete	
	Electrification of old Transnet Railway Houses in the DMA	100% of Transnet houses in the DMA Electrified	Planning & Develop.	Project was advertised and busy finalising the Tender Evaluation Report.	Lagging	Evaluation Report will be submitted to the BAC during July 2011.
	Monitor the Conversion of VIP's to waterborne sanitation at Lower Level Makana	12 site visits of the waterborne sanitation project at lower level Makana	Water	The project is 65% complete; there were delays due to cash flow problems and contractor's personnel on-site.	Lagging	The local municipality is assisting the contractor with the purchasing of material and plant hire. Anticipated completion date is end September 2011.
	Monitor the Construction of Bulk-Water Supply to Seven Fountains	12 site visits of the construction site at Seven Fountains - Makana	Water	The project is 90% complete, one of the boreholes is on private land and the local municipality is negotiating with the farmer.	Lagging	The municipality is in the process of buying the piece of land from the farmer. The anticipated completion date is end September 2011.

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT						
To ensure that there is an adequate bulk sustainable water source in the CDM region.	Monitor Construction of rising main from Port Alfred to Bathurst	12 site visits of the construction site of the rising main from PA to Bathurst	Water	The contractor is on-site.	Lagging	
	Installation of Rainwater Tanks in Paterson	1000 Rainwater Tanks installed in Paterson	Water	Finalising the Tender Evaluation Report, delays due to process of re-tendering as the Dept. decided to split the material into 3 sections in order to fast-track the implementation.	Lagging	Evaluation Report will be submitted to the BAC during July 2011.
	Rainwater Harvesting, Feasibility Study, Testing of Boreholes (Trappes Valley)	Rainwater Harvesting, Feasibility Study, Testing of Boreholes (Trappes Valley) completed	Water			
To provide effective and sustainable infrastructural maintenance plans	Improve water quality and increase water quantity for the community of Glenconner and Kleinpoort	Additional water found and treated to augment the existing supply	Water	Project Complete.	Complete	

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT						
To provide effective and sustainable infrastructural maintenance plans	Repair Flood Damaged Roads to improve access in BCR and Ndlambe (Phase 1)	Phase 1 Complete	Roads	Phase 1 has been completed during April 2011.	Complete	
	Upgrade and improve Access Road in Wolwefontein	Slurry layer to 400m of access road	Roads	Project has been completed.	Complete	
	Rietbron roads & storm water EPWP project.	1km of internal access roads paved, and 70 work opportunities created	Roads	Phase 1 is complete (Road 3, 5 and 7 - 850m). The target of 1 km was incorrect.	On Target	
	Housing Transfers (956 outstanding), Riebeeck East, Krakeel, Stormsriver,	500 transfers effected	Housing	101 houses have been transferred for Rietbron, Willowmore, Krakeel and Louterwater.	Lagging	Finalising of transfers for all housing project to be documented and outsourced.
To promote an integration between spatial planning and transportation planning to achieve sustainable human settlements	Public Transport Facilities /Construction of Makana Bus Terminus to improve Access to transport amenities	Construction of Bus Terminus complete (Phase 1)	Road Transport		Not started.	The feasibility study is now complete and the projects are ready for implementation. The next stage will be the design phase.

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S						
Maximise the potential of CDM LMs and District Municipality to effectively and efficiently deliver services to their communities	Support LM's with Supply Chain Management processes and procedures	4 LM's supported by arranging a SCM workshop	Other	Project complete.	Complete	
	Continual support to LM's that Audit Committees are functioning effective	Fully affective Audit Committees through monitoring that 4 audit committees take place into the legislative requirements	Finance and Admin	Project complete by KPMG.	Complete	
	Establishment of the unemployed graduates programme	8 graduates appointed	Other	Executive Mayor to assist.	Project postponed to 11/12 FY.	
	Review of District and 9 LM By-Laws	By-Laws Reviewed and Gazetted for CDM and 9 LM's	Other	CDM By-Law reviewed and gazetted.	On target.	
	Assist LM's in dealing with Audit Exceptions in achieving nil exception reports	4 LM's supported by providing a template indicating timeframes and responsibilities to track progress on exceptions raised by the AG	Finance and Admin	Complete Template supplies as well as FMIP launched.	On Target.	
	Development of a system of holding a workshop at LM's for the protection of revenue	4 LM's assisted by arranging one workshop	Finance and Admin	Arranged a workshop and provincial treasury facilitated.	Complete	

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S						
Maximise the potential of CDM LMs and District Municipality to effectively and efficiently deliver services to their communities	Provision of support ito advice wrt LR and HR issues	All LM's supported through the creation of an HR Forum and responding to specific requests for assistance	Finance and Admin	Complete HR forum established and ongoing advice provided.	On Target.	
	Develop communication policies (incl. media policy guidelines) and plans at all local municipalities	Communication policies available to all LM's and establishing comms as a strategic function in their comms forum	Finance and Admin	Complete on going maintenance to establish communication as a strategic function in the district.	On Target.	
	Provision of assistance to LMs in respect to GAMAP/GRAP compliance (Financial Statements)	Provide assistance to LM's through 4 training workshops held in GMAPP/GRAP compliance	Finance and Admin	Complete3rd Training Workshop held for LM's for GMAP/GRAP Compliance will continue in 2011/2012.	On Target.	
	GRAP Training for Ikwezi LM by providing funding	Successful training conducted through funding provided by CDM	Finance and Admin	Project complete.	Complete	
	Provision of a sports ground at Rietbron	Completion of sports ground	Sport and Recreation	Contractor on site and the project is 95%. Delay was due to order of material.	Lagging	The project will be complete by 15 July 2011.
	Construction of a storage facility and carport in Rietbron to Improve service delivery to DMA	Car-port & Storage facilities complete	Planning & Develop.	Project complete.	Complete	

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					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S						
To provide infrastructure development and service delivery support to LMs	Water quality monitoring (in conjunction with Environmental Health) for all LM's	Monitoring water quality in accordance with DWA Database	Water			
	Capacity building for Cllrs of the district	Number of agreed upon interventions undertaken to capacitate number of councilors	Other	Councillors trained. Report available.	On target.	
	Technical Town Planning Assistance / Wind Farm policy planning guidelines- ordinate development, and curtail uncontrolled development	Policy Planning guidelines in place	Planning & Develop.		Lagging	Draft policy will be submitted to the next Council meeting for adoption.

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					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S						
To increase effectiveness and promote a district-wide approach to IDPs and performance management	To support Ikwezi, Camdeboo and BCR and actively support all LMs with the implementation of their performance management systems	Implementation report to Mayoral Committee	Other	Koukamma PMS Support completed. Koukamma claimed R273, 828 from CDM. Makana support completed. Amount of R290, 016 claimed by Makana. Balance of the R350, 000 will be used by Makana will be used to develop their sdbip 11/12. Sunday's River Valley PMS Support completed. Amount of R58, 281, 36 claimed. Camdeboo appointed a service provider, Amava. Support currently in progress. CDM committed R350, 000 to Camdeboo. Amount of R263, 639 claimed. Ikwezi support currently in progress. R200, 000 committed to Ikwezi. BCR appointed PWC. Costs R229, 227. Rest of Performance Management Grant will be used for improvements to CDM PMS Automated System.	On Target.	

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DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT						
To leverage available resources to achieve investment in economic infrastructure in partnership with relevant stakeholders	Facilitate of appropriate institutional arrangements for Fibre Beneficiation	At least 75% of fibre beneficiation applications approved	Planning & Develop.	Projects to be determined by coordinator, upon appointment. Coordinator to be appointed by mid-April.	Lagging	Coordinator appointed and 1st Stakeholder Meeting held in 08 June 2011.
	Identification of appropriate Renewable Energy initiatives	At least one catalytic project supported	Planning & Develop.	Renewable Energy Land use Management Policy developed and under consideration for approval to Mayco on 13 July 2011 and Council.	On Target.	
To achieve year-on-year economic growth by developing strategic sectors in the district	Implementatio n of Tourism marketing and Trade Investment Promotion strategy	Marketing Strategy implemented	Tourism	1st Phase of the two year contract for implementation of Tourism Marketing Strategy completed. Funds allocated to support Festivals during last Q/2010/11 FY disbursed to Events organisers and SLA signed.	On Target.	
	Provision of support to Local Municipalities' Tourism Development Initiatives	5 tourism development projects supported	Tourism	On the 1st call for proposals to LMs, no requests were received as a result no funds disbursed for this call.	No started.	DST will be involved to communicate this call for proposals. Formal invitations to LMs will be circulated early August 2011.
	Establishment and marketing support to LTOs	5 established LTOs supported for marketing and destination branding to support project application	Tourism	The following LMs received funding in the 2010/11 call for proposals: (i) Baviaans LM (ii) BCRM LM (iii) Camdeboo LM (iv) Ikwezi LM.	On Target.	

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DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT						
To achieve year-on-year economic growth by developing strategic sectors in the district	Identify suitable institutional arrangement for nature reserves in the District	Maintenance plan of the nature reserves adopted and implemented	Tourism	Rapid Assessment Completed. Recommendations presented in two instances but no decision can be arrived at. Revised presentation on the subject is planned for a special Mayco to afford new Cllr an opportunity to input into the project.	Lagging	Special Mayco is proposed to provide background on the project and further to Council.
	Develop business plans for development of tourism routes	Increased tourism flow along at least 2 tourism routes (SRV & Kouga)	Tourism	Business Plan completed. R500 000 approved for the SRV Route development. Projects presented to Mayco not supported and ITEM referred back to the Department for review.	Lagging	Tourism Manager, appointed, 1st draft report to review business plan and project areas for development has also been identified and the completed.
	Erection of destination signage	4 Destination Billboards installed for improved visibility of the destinations (Addo, Grahamstown, Tsitsikama & Baviaans) Remove names	Tourism	No personnel to execute the project.	Lagging	Project rolled over and will be implemented in 2011/12.

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DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT						
To achieve year-on-year economic growth by developing strategic sectors in the district	Conduct Tourism Education and Awareness Programme	Enhancement of service excellence and tourism business growth	Tourism	Funds were disbursed to Wilderness Foundation to support Tourism Education and identification of young people from the district as beneficiaries of the project. Report circulated to Mayco and Council on the success of the 2009/10 intake.	On Target.	
	Identify SMME and Co-op Support Programmes	District-wide and structured strengthening of SMMEs & Co-ops	Planning & Develop.	2 projects ID for support but only one approved (i) Hawkers Facilities. Ikhala Sewing project, CDM was advised to park support until investigations by Social Development is completed.	Lagging	New calls for proposals will be communicated to all LMs end August to successful projects advised by end September 2011.
	Implement Agricultural Mentoring support Program	10 Emerging Farmer Projects mentored	Planning & Develop.	7 Projects are receiving support under the Agri-Mentorship projects. The following LMs are benefiting from the programme in the past FY: (i) Ikwezi LM (ii) Camdeboo LM (iii) Ndlambe LM (iv) Koukamma LM (v) Kouga LM.	On Target.	
	Implement Woodlands Communal Property Association's Essential Oil Initiative	Woodlands Communal Property Association producing essential oils	LED	Project delayed but secured Mentorship very late in the Year. Business Plan is completed; the project has applied for registration as a Cooperative.	Lagging	Mentorship is secured, Mayco to approve transfer of funds to the Coop to support priority elements of the project and when it is fully operational and registered as a Coop.

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					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT						
To achieve year-on-year economic growth by developing strategic sectors in the district	Establish District-wide LED Institutional Support	LED Support Structure (DST) established and enabled to implement the LED Framework	LED	DST is fully functioning and with 98% attendance of all monthly meetings from LED officials and Political heads, sector departments. 2 Thina Sinako projects are implemented and service providers appointed. 90% achievement in the 2st contract on LED conceptual frameworks. Achieved and 50% on EIS achieved.	On Target	
	Develop Agro-processing scoping report	Support to at least one agro-processing programme identified through agro-processing scoping	LED	Project scoping report delayed only completed end June. Project will be identified in the new FY.	Lagging	Scoping report completed. Project ID 5 key projects to support in terms of Design and planning processes in order to secure funding to implement.
To develop and enhance technical and life skills in line with labour market demands of the district in strategic sectors and the region at large	Support Rietbron Crafters initiative	Rietbron Crafters with stock and secured buyers	LED	Project scoping report completed and will be submitted to Mayco after the 13 July 2011. 5 key projects have been identified for the District to pursue and facilitate its implementation. Other potential projects will be tabled on the DST meeting planned for 15/07/2011.	On Target.	

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT						
To develop and enhance technical and life skills in line with labour market demands of the district in strategic sectors and the region at large	Implement Leather craft in Kleinpoort established and operational	Leather craft project set up	LED	Project delayed due to capacity challenges in the LED unit. Project is rolled over to the 2011/12 FY for implementation.	Lagging	Project Rolled over - Tenders will be invited to implement the project.
	Facilitate establishment of sheep shearing co-op	The Co-op able to sustain their livelihoods through sheep shearing	LED	Project is proposed to be part of the CRDP programme and future implementation and facilitation will be done through the department of Rural Development and Land Reform.	Lagging	Project will form part of the CRDP (Comprehensive Rural Development programme) in which Rietbron is a pilot site for the province.
	Investigate feasibility of Pellet Factory in Rietbron	Co funding agreement signed and factory set up	LED	Project Facilitators appointed and funding secured from CDM for Phase 1 i.e. Project Initiation and design and Infrastructure development.	On Target.	
To build appropriate internal and external institutional capacity necessary to improve integration, alignment and coordination of economic development programmes	Provision of institutional support to at least three local municipalities	LED Institutional Support to local municipalities	Planning & Develop.	REM model for BCRM and Hydro-Renewable scoping study for BCRM DA completed.	On Target.	
	Review of District Economic Development Growth and Development (EGDS) Strategy	EGDS review completed	Planning & Develop.	Project to be implemented in line with the packaging of the District Investment opportunities for the preparation of hosting the District Investment Conference in 2011/12 FY.	Lagging	

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DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT						
To develop and enhance technical and life skills in line with labour market demands of the district in strategic sectors and the region at large	Provision of financial support to BCR Development Agency	Boschberg tourism (craft) hub constructed in Somerset East	Planning & Develop.	Funds disbursed to BCRM DA and 100% infrastructure completed for Craft Hub in Blue Crane.	On Target.	
	Provision of financial support to SEDA	Rolling out SMME support with SEDA according to revised SLA	LED	Funds disbursed to Seda and annual report submitted to Mayco and Council by Seda. CDM currently is reviewing CDM partnership with Seda.	On Target.	

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					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 4: COMMUNITY AND SOCIAL SERVICES						
To improve the environmental health status of communities of Baviaans, Ikwezi, DMA (north and South)	Food Sampling and Water Quality Monitoring to prevent environmental health risks in the Baviaans, Ikwezi, DMA North and South) with emphasis to water related risks	80 food samples conducted and 324 Water samples conducted	Health	Awaiting reports from LM's which are expected to be submitted 14 working days after the quarter ends. These reports will be submitted to the next MC.	On target.	

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 4: COMMUNITY AND SOCIAL SERVICES						
To improve the environmental health status of communities of Baviaans, Ikwezi, DMA (north and South) (cont.)	Conduct education and awareness campaigns Baviaans, Ikwezi, DMA (North and South) to prevent environmental health risks in the mentioned areas, with emphasis to water related risks	10 Campaigns conducted	Health	Clean-up campaign was conducted in Ikwezi in April 2011. Health and Hygiene was also conducted in Koukamma in April and May 2011. Water conservation and deemed management was also conducted in Ikwezi in partnership with Water Affairs.	On target.	
To mitigate disasters in CDM area	Implementation of the CDM HIV and Aids Plan Priority Areas of Prevention and mainstreaming	Successful Implementation of identified priority areas	Community & Social Services	Door to door campaigns undertaken. HCT drive undertaken in the district. Report available.	On target.	
	Minimise the disaster risk and vulnerable structure of Nqweba Dam fixed	Dam structure fixed and the potential of risks minimised	Public Safety	Project Complete.	Department of Water Affairs has taken over the rehabilitation of the Dam.	

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 4: COMMUNITY AND SOCIAL SERVICES						
To develop and enhance technical and life skills in line with labour market demands of the district in strategic sectors and the region at large	Improve emergency response through establishment of the Paterson Integrated Emergency Response Centre	Phase 1 of the Integrated Emergency Response Centre Complete	Public Safety	Phase 1 Complete.	Project on hold.	
Reduce risk through Education and Awareness campaigns in respect of Drought ,Fire, Floods and Hazmat	10 Drought, 10 Fire, 10 Floods and 10 Hazmat Education and Awareness campaigns conducted	Public Safety	Evaluate effectiveness of the introduced system or structure	The Storm Water Drainage cleaning Project undertaken at Kouga and Sundays River has assisted in the severity of the impact of the recent floods.		
Improvement of Fire Services at selected municipalities through restoration of fire hydrants district wide	100% of Fire Hydrants restored	Public Safety	Na	Fire Hydrants in the District Restored.		
To ensure mainstreaming of designated groups through integrated planning in the Cacadu District	Public participation- assist five LMs to develop their public participation policy and strategies	Public participation policy and strategies for five local municipalities	Community & Social Services	Municipalities were busy with other programmes.	Lagging	
	Policy development - HR Policies for Baviaans	Policies developed for Baviaans	Community & Social Services	Policies developed and reviewed for Baviaans, Ikwezi and BCR.	On target.	
	Empowerment of people with disabilities through linkages with various empowerment institutions	Two legacy projects for the district	Community & Social Services	Progress slow due to new incumbents only appointed 1 March 2011.	Lagging	Consultation sessions are being held across the district to determine the feasibility of the Disability plan and establish structures to drive plan.

Objective	Key Performance Indicator (Project)	Annual Target 10/11	GFS	Actual & reason for variance	Performance Redress	
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DEVELOPMENT PRIORITY 4: COMMUNITY AND SOCIAL SERVICES						
To ensure mainstreaming of designated groups through integrated planning in the Cacadu District	Development of Youth through linkages with various development institutions	Two legacy projects for the district	Community & Social Services	Progress slow due to new incumbents only appointed 1 March 2011.	Lagging	Consultation sessions are being held across the district to determine the feasibility of the Youth plan and establish structures to drive plan.
	Women Empowerment through linkages with various women development institutions	Two legacy projects for the district	Community & Social Services	Progress slow due to new incumbents only appointed 1 March 201.1	Lagging	Consultation sessions are being held across the district to determine the feasibility of the Disability plan and establish structures to drive plan.
To provide infrastructure development and service delivery support to LMs	Connect with Cacadu- hardware installation within additional libraries within the District	To achieve access to CwC in additional libraries	Community & Social Services	All hardware installed. Electrical work done. Awaiting Telkom lines for loading of software.	On target.	

TARGETS FOR 2011/12			
Objective	Key Performance Indicator (Project)	Annual Target 11/12	GFS
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT			
To Assist LMs to provide adequate potable water and adequate sanitation by 2010	Completed O&M Study by Ndlambe	Adopted O&M Study by Ndlambe	Water
To ensure that there is an adequate bulk sustainable water source in the CDM region	Rehabilitating the existing 2 reservoirs and installation of 15 bulk meters in Jansenville	Fifteen Bulk Water Meters installed and 2 reservoirs rehabilitated	Water
	Upgrade and Increase the capacity of the waste water treatment plant for the community of Nieu-Bethesda	50% Upgraded and Increased capacity treatment plant operational	Water
	Upgrading of sanitation system in the DMA	VIP Toilets Operational	Planning & Development
	Upgrade sanitation system of Nieu-Bethesda from VIP's to waterborne toilets	Project complete	Planning & Development
	Subdivision and Renovation of transferred settlements to beneficiaries names (depended on the transfer of settlements from Transnet to CDM)	Transfer of houses for Miller, Kleinpoort, Wolwefontein and Vondeling Communities	Housing
	Provide support to LM's to Improve on project planning, expenditure and implementation	100% Funds spent on project planning	Planning & Development
	Installation of Rietbron Solar Water Heating	All households in the DMA fitted with Solar Water Heating	Planning & Development
	Installation of Rainwater Tanks in Paterson	1000 Rainwater Tanks installed in Paterson	Water
To provide effective and sustainable infrastructural maintenance plans	Rehabilitation of Somerset East Roads and Storm water infrastructure(paving of streets and upgrade of storm water drainage)	Streets paved and storm water drainage complete	Roads

Objective	Key Performance Indicator (Project)	Annual Target 11/12	GFS
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT			
To provide effective and sustainable infrastructural maintenance plans	Upgrade of Rietbron roads & storm water infrastructure - EPWP project	500m of internal access roads paved, and 100 work opportunities created	Roads
	Finalisation of Housing Transfer & Beneficiary Management in the DMA – Rietbron	500 transfers effected	Housing
To provide infrastructure development and service delivery support to LMs	Provision of a new Community Library in Riebeeck East	Construction of Library Complete	Planning and Development
	Provision of a Community Library in Somerset East	Construction of Library Complete	Planning and Development
	Additions and Alterations of a Community Library in Kirkwood	Extensions and alterations of existing library complete	Planning and Development
To promote an integration between spatial planning and transportation planning to achieve sustainable human settlements	Provision of Inter-City Bus Terminal	Construction of Bus-terminal Complete	Road Transport
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S			
Maximise the potential of CDM LMs and District Municipality to effectively and efficiently deliver services to their communities	Provision of assistance to 5 LMs in respect to GAMAP/GRAP compliance (Financial Statements) (Phase 1)	Provide assistance to 5 LM's through 1 training workshops held in GMAPP/GRAP compliance and by making available a financial management improvement plan to the 5 LM's	Finance and Admin
	GRAP Tender - Service Provider Appointed (Phase 2)	GRAP Tender - Service Provider Appointed Phase 2 - Implementation of FMIP	Finance and Admin

Objective	Key Performance Indicator (Project)	Annual Target 11/12	GFS
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S			
To provide infrastructure development and service delivery support to LMs	Water quality monitoring (in conjunction with Environmental Health) for all LM's	Monitoring in accordance with DWA Database	Water
Maximise the potential of CDM LMs and District Municipality to effectively and efficiently deliver services to their communities	Collaboration with CSIR on the Road Hierarchy, Road Accident Database and Freight Transport	All 3 Studies complete	Planning and Development
To ensure mainstreaming of designated groups through integrated planning in the Cacadu District	To conduct GGS at 4 LM's	GGS conducted at 4 LM's	Other
	Review of Policies at 1 LM	Reviewed policies at 1 LM	Other
	Reviewed Rules and Orders, Roles and Responsibilities and development of a Delegations Register	Reviewed Rules and Orders, Roles and Responsibilities and development of a Delegations Register for 4 LM's	Other
To increase effectiveness and promote a district-wide approach to IDPs and performance management	PMS Support to Ikwezi, BCR, Camdeboo and Koukamma to their PMS Support Requirements	Ikwezi, BCR, Camdeboo and Koukamma supported	Other
	To provide Performance Management Support (PMS) Support to the 9 LM's in CDM with the implementation of the Automated CDM PMS System based on readiness for the system.	At least 4 Local Municipalities assisted.	Other

Objective	Key Performance Indicator (Project)	Annual Target 11/12	GFS
DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT			
Achieve Economic Growth by developing Strategic Sectors of the District Economy	Establish and Sustain partnership for Economic Development	Increase in new business and partnership/linkages in the District through Business Conferences	Tourism
	Feasibility study and Business Plan developed for establishment of District Development Agency	Council resolve on the Establishment of the District Agent	Planning & Development
To achieve year-on-year economic growth by developing strategic sectors in the district	Tourism marketing and Trade Investment Promotion	Marketing Strategy implemented	Tourism
	Provision of support to Local Municipalities' Tourism Development Initiatives	5 tourism development projects supported	Tourism
	Support to LTOs - SRV - Ndlambe - Koukamma	3 established LTOs at SRV, Ndlambe and Koukamma to be supported for marketing and destination branding support project application	Tourism
	Sustainably managed nature reserves in the District	Maintenance plan of the nature reserves adopted and implemented	Tourism
	Tourism Education and Awareness Programme	Enhancement of service excellence and tourism business growth	Tourism
	SMME and Co-op Support Programme (SMME Strategy)	District-wide and structured strengthening of SMMEs & Co-ops	Planning & Development
	Assisting Local Agricultural Commodity Group managing the mentorship programme in 6 LM's	9 Emerging Farmer Projects mentored in 6 LM's	Planning & Development
	Woodlands Communal Property Association's Essential Oil Initiative	Woodlands Communal Property Association producing essential oils	LED

Objective	Key Performance Indicator (Project)	Annual Target 11/12	GFS
DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT			
To achieve year-on-year economic growth by developing strategic sectors in the district	District-wide LED Institutional Support	LED Support Structure (DST) established and enabled to implement the LED Framework	LED
	Development of business plans for at least two agro-processing enterprises	Business plan for at least two agro-processing enterprises developed	LED
To develop and enhance technical and life skills in line with labour market demands of the district in strategic sectors and the region at large	Leather craft in Kleinpoort established and operational	Leather craft project set up	LED
	Pellet Factory established in Rietbron	Co funding agreement signed and factory set up	LED
To build appropriate internal and external institutional capacity necessary to improve integration, alignment and coordination of economic development programmes	Economic Growth and Development Strategy adopted by Council	Council resolution to adopt reviewed EGDS	Planning & Development
	Rolling out SMME support with SEDA according to revised SLA	Rolling out SMME support with SEDA according to revised SLA	LED
DEVELOPMENT PRIORITY 4: COMMUNITY AND SOCIAL SERVICES			
To improve the health status of the community as per the principles of the district health system model	Upgrade of Kwazamukucinga clinic in Jansenville	Additions and alterations to clinic complete	Health (PHC)
	Implementation of the CDM HIV and Aids Plan Priority Areas of Prevention and mainstreaming	Successful Implementation of identified priority areas	Community & Social Services
To provide effective firefighting in the district	Restored and standardised Fire Hydrants in the district	Standardised Hydrants in place for 2 LM's	Public Safety
To ensure mainstreaming of designated groups through integrated planning in the Cacadu District	Empowerment of people with disabilities through linkages with various empowerment institutions	Revive Disability Empowerment Forum in each LM	Community & Social Services
	Development of Youth through linkages with various development institutions	Formal partnership with Youth Development Agencies and a Flagship programme in all 9 LM's and Reviving of Forums	Community & Social Services
	Women Empowerment through linkages with various women development institutions	Two legacy projects for the district	Community & Social Services

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON CACADU DISTRICT MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying consolidated and separate financial statements of Cacadu District Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2011, and the consolidated and separate statement of financial performance, the consolidated and separate statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 1 to 59.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended)(DORA), as well as for such internal control as management determines necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated and separate financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Cacadu District Municipality as at 30 June 2011, and their financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA and DORA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 29 to the consolidated and separate financial statements, the corresponding figures relating to the prior financial year have been restated due to errors discovered during the year under review.

Irregular expenditure

10. Disclosed in note 51 to the consolidated and separate financial statements, is irregular expenditure to the amount of R20.7 million. This irregular expenditure was incurred as a result of contraventions of the supply chain management requirements.

Additional matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

12. The supplementary information set out on pages 60 to 71 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the Municipality.

Predetermined objectives

14. There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

Compliance with laws and regulations

Consolidated and Separate Annual financial statements

15. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of expenditure and disclosure items identified by the auditors and agreed to by management were subsequently corrected.

Strategic planning and performance management

16. The service delivery agreement in place at the beginning of the financial year between the two parent municipalities, Cacadu District Municipality and Kouga Municipality, and the municipal entity, Kouga Development Agency, under their shared control, did not include all the requirements as prescribed by section 93C of the Municipal Systems Act, 32 of 2000 (MSA). A master agreement in compliance with all the requirements as prescribed by section 93C of the MSA was only concluded and signed on 27 June 2011 by all parties concerned.

Procurement and contract management

17. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) (PPPFA) and the Municipal supply chain management regulations, (SCM regulation) 28(1) (a).
18. Awards were made to providers who are persons in service of other state institutions or whose directors/principal shareholders are persons in service of other state institutions in contravention of the requirements of SCM regulation 44. Furthermore, the providers failed to declare that they were in the service of the state, as required by SCM regulation 13(c).

Expenditure management

19. The accounting officer did not take reasonable steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.
20. The municipality did not recover irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.

21. The accounting officer did not report to the South African Police Service the cases of alleged irregular expenditure that may constitute a criminal offence as well as alleged theft and fraud, as required by section 32(6) of the MFMA.

INTERNAL CONTROL

22. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

23. Improvement is needed with regard to financial reporting, compliance with SCM regulations, human resources management and addressing IT risks. Effort should be focused on the improvement of internal processes as well as the monitoring and review by an appropriate level of management with regard to the following:
- The process to identify and disclose irregular expenditure transactions is inadequate.
 - The contravention of the SCM regulations and SCM policy (procurement transactions with the value between of R30 000 and R200 000).
 - The filling of vacancies in the finance section and capacitating the SCM unit properly to deal with all the SCM related laws and requirements.
 - The consideration and approval of changes to the Computer Security and Control Policy.

Financial and performance management

24. Related to the processing and reconciliation of financial transactions as well as performance information during the current financial year, areas where improvements are needed include the preparation of error-free financial statements and review of compliance with certain laws. Accurate information was not always available to support financial and performance reporting, including the preparation of the annual financial statements. This was evidenced by the need to make adjustments related to the disclosures of irregular expenditure, property plant and equipment impairments and the post employment medical liability. In addition significant non compliance with laws and regulations, specifically related to Supply Chain Management occurred, which is indicative of insufficient monitoring and review by the appropriate level of management.

Governance

25. Adequate risk management activities by the various role-players in terms of the municipality's adopted policy and strategy to deal with risks and fraud needs improvement. This was evidenced by the following critical areas:

- The anti corruption and prevention of fraud committee did not meet quarterly as envisaged in the relevant policy to facilitate the continuous assessment and response to risks.
- Risk assessment procedures employed by the municipality did not identify the risk of non compliance with SCM regulations. Consequently internal audit did not evaluate compliance with the SCM regulations and the municipality's SCM policy which in turn led to the audit committee not responding to the municipality's non compliance with the SCM regulations and the SCM policy during the year.

OTHER REPORTS

Investigations

26. Management requested that internal audit focus their review specifically on the transactions involving emergency procurement for disaster management which arose due to flooding that occurred in the district from May to June 2011. The investigation was not completed at the reporting date.

Auditor - General.

Port Elizabeth

15 December 2011



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

RESPONSE TO THE AUDIT REPORT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2011

In accordance with the Public Audit Act, Council has to consider the Audit Report within one month after its first sitting after the audit report has been submitted by the Auditor General.

Council has received an unqualified audit report and has certified that the Consolidated and Separate Financial Statements present fairly, in all material respects, the financial position of the Cacadu District Municipality as at 30 June 2011, and their financial performance and cash flows for the year in accordance with GRAP and the requirements of the MFMA and DORA.

Emphasis of Matter

The Auditor General has under the heading Emphasis of Matter raised a number of issues without modifying his opinion.

Restatement of corresponding figures

The comments are noted.

Irregular Expenditure

The comments are noted. The irregular expenditure was incurred mainly as a result of non-compliance to the Preferential Procurement Policy Framework Act in respect of procurement transactions with a value between R30 000 and R200 000. The transactions were investigated and it was found that no supplier was unfairly disadvantaged nor did the Council incur any financial loss. These transactions were reported to Council and the irregular expenditure was condoned by Council at Council meeting held on 30 November 2012.

The necessary policies and procedures have now been implemented, so as to ensure that all supply chain management regulations and policies are complied with. A strategic Supply Chain Management (SCM) training intervention was conducted on 05 December 2011 to ensure that all departments are aware and comply to the SCM regulations, policies and procedures.

Report on Legal and Regulatory Requirements

Predetermined objectives

As there were no material findings in the annual performance report concerning the presentation, usefulness and reliability of the information no further comments are required.

Compliance with laws and regulations

Consolidated and separate annual financial statements

Material misstatements

Material misstatements of expenditure and disclosure items identified by the Auditor –General were corrected.

Strategic Planning and Performance Management

The comments are noted.

Procurement and Contract Management

The issue regarding the non-compliance to the Preferential Procurement Policy Framework Act was responded to under the heading “Irregular Expenditure”.

Awards to persons in the service of the state who declared that they nor any member of their families were in the service of the state discovered by the Auditor General will be brought to the attention of the South African Police Services.

Expenditure Management

The fruitless and wasteful expenditure refers to interest raised by the Auditor-General on the late payment on audit fees in December 2010.

The matter was investigated and no official could be found guilty of any misconduct. The amount was condoned by Council at a Council meeting held on 30 November 2011.

The cases of alleged irregular expenditure that may constitute a criminal offence as well as alleged theft and fraud referred by the Auditor-General will be reported to the South African Police Services after the completion of the forensic audit.

Internal Control

Leadership

The issue of leadership with specific reference to the improvement of financial reporting, compliance with SCM regulations, human resource management and the addressing of IT risks are receiving focused attention. Continued review of internal controls and procedures as well as the training of management will be undertaken to address weaknesses in controls and leadership.

Financial Performance Management

Comments are noted.

Governance

The municipality has received its risk management policies and will work with the provincial government to strengthen controls and the risk management framework.

Other reports

Investigations

The SCM investigation referred to elsewhere in the report relates to disaster management procurement transactions is now subject to a forensic audit. Once the detailed report is available appropriate action will be taken if there is evidence of fraud or corruption.

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR **ENDED 30 JUNE 2011**

PURPOSE

The Audit Committee serves as an independent advisory body which advises the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to:

- Internal financial control and the internal audit function
- Risk management
- Accounting policies
- The adequacy, reliability and accuracy of financial reporting and information
- Performance management and evaluation
- Effective governance
- Compliance with the Municipal Finance Management Act 56 of 2003, the annual Division of Revenue Act and any other applicable legislation; and
- Performance evaluation and
- Any issues referred to it by the municipality.

In addition, the Audit Committee reviews the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the Municipal Finance Management Act 56 of 2003, the annual Division of Revenue Act and any other applicable legislation.

The Committee further is required to respond to the council on issues raised by the Auditor-General in the audit report and initiates and oversees such investigations into the financial affairs of the municipality as the council may request.

We have pleasure in presenting our report for the year ended 30 June 2011.

TERMS OF REFERENCE

The Audit Committee has adopted appropriate formal terms of reference that have been approved by the council and mayoral committee, and has executed its duties during the past financial year in accordance with these terms of reference and the relevant legislative requirements.

COMPOSITION

The Audit Committee comprises of four independent, outside members and meets at least six times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

During the 2010/2011 financial year six meetings were held.

Name of member	Qualifications	Period served	Meeting attendance					
			26-Aug-10	29-Oct-10	25-Nov-10	14-Jan-11	10-Mar-11	09-Jun-2011
Mr S G Zamisa (Chair)	MBA	01/07/04 - 30/06/11	✓	✓	✓	✓	✓	✓
Prof F E Prinsloo	MCom (Accounting) CA(SA)	01/07/04 - 30/06/11	✓	✓	✓	✓	✓	✓
Prof A Singleton	MCom (Taxation) CA(SA)	01/07/08 - 30/06/11	✓	✓	✓	✓	✓	
Dr R Snelgar	PhD	01/07/07 - 30/06/11	✓		✓	✓		✓

The Municipal Manager, the Director: Finance and Corporate Services, Directors of Infrastructure Services, Economic Development and Health Services respectively, and representatives from the external and internal auditors attend the Committee meetings by invitation only. The internal and external auditors have unrestricted access to the Audit Committee.

AUDIT COMMITTEE RESPONSIBILITIES

The Committee reports that it has complied, as far as possible, with its responsibilities set out in its council approved terms of reference and the relevant legislative requirements.

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee has:

- Reviewed the audited annual financial statements;
- Reviewed management responses to the management report of the Auditor-General; and

- Concluded that the going concern premise is appropriate in preparing the annual financial statements.

The Audit Committee has noted the unqualified opinion expressed by the Auditor-General in his report on the Annual Financial Statements, as well as the “emphasis of matter” paragraph dealing with the restatement of corresponding figures due to changes in accounting policies and errors and irregular expenditure identified during the current financial year.

The Committee is satisfied that these matters relate to presentation and do not represent specific risk of losses to the district municipality.

The other matters raised in the balance of the report, as well as in the related management report, have been noted by the Committee, as have the measures identified by management to address these. During the 2011/2012 financial year the Audit Committee will monitor progress with the implementation of these remedial measures.

The comments in the audit report regarding the “material misstatements corrected during the audit” were also noted. It was noted that these misstatements related mainly to the following:

- Disclosure of unauthorized, irregular, fruitless and wasteful expenditure resulting from the difference in interpretation and application of the Preferential Procurement Policy Framework Act by management
- Assets and liabilities relating to Provincial Health Services (PHC) which should have been derecognized in the books of CDM at 01 January 2011 as the PHC had been transferred to Department of Health at this date
- No depreciation being provided for on buildings as these were merely revalued at the end of every year
- Disclosure of loss on de-recognition of assets related to the Demarcation of the District Management Area and Department of Health assets
- Omission of the required disclosure of amounts for the current annual period and previous four annual periods of Employee Benefits.

The committee further emphasised the need to meet with the Auditor-General to discuss:

- the expectations of the Auditor-General of the Committee and the CDM (see, for example, comments in next section),
- the Committee’s expectations of the Auditor General; as well as
- matters that may impact on the risks faced by the municipality over the medium to long term.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee specifically noted the paragraph in the Auditor General’s report stating that “Improvement is needed with regard to financial reporting, compliance with SCM regulations, human resource management and addressing IT risks. Effort should be focused on the improvement of internal processes as well as the monitoring and review by an appropriate level of management...”

The Audit Committee would like to engage with the Auditor General and the management of CDM at its meetings during 2012 to discuss matters such as:

- The risk tolerance levels set by the council of CDM versus the expectations of the Auditor General. Given the financial constraints the CDM is under, should all risks be controlled to a very low level – even should the cost exceed the benefit thereof?
- How should the financial reporting oversight process be changed to prevent comprehensive and costly reviews being done to identify misstatements in the financial statements before the audit of the Auditor General commences? Such a pre-audit review will add significantly to the cost and it is questionable what benefit will be derived therefrom.
- The staffing of the finance and SCM departments. Given financial constraints and the size of the municipality it is impossible to achieve full segregation of duties – but what level of segregation is appropriate (bearing in mind the Council's risk tolerance level and cost/benefit considerations)?

The Supply Chain Management (SCM) findings are of concern to the Audit Committee, and a number of remedial actions have been requested, including:

- Requesting the CDM management to improve the controls and policies in respect of SCM;
- Requesting that review of the controls relating to SCM be included in the work programme of internal audit;
- Requesting that any instances of possible fraud or corruption be reviewed by internal audit to ascertain whether forensic investigation is warranted;
- Requesting, based on internal audit's recommendations, appropriate forensic investigations be undertaken.

Progress reports regarding the above will be requested during the Committee's meetings in the 2011/2012 financial year.

It has been noted that the position of the Director of Economic Development was vacant for more than 12 months while the position of the Director of Infrastructure was vacant since January 2011. Both these positions have now been filled.

PERFORMANCE MEASUREMENT

The municipality is monitoring and comparing actual to targeted progress on a regular basis according to a framework. The Service Delivery and Budget Implementation Plan (SDBIP) report is used which reflects planned completion dates for all projects. The Committee has noted that there has been a marked improvement in the quality of the framework and performance contracts in terms of measurability of the Key Performance Areas (KPA's) and Key Performance Indicators (KPI's).

The Committee has confirmed with management that reporting and monitoring is taking place as expected and progress on performance management is discussed at each audit committee meeting. Performance Measurement is a standing item on the Committee's agenda.

CONCLUSION

The Audit Committee accepts the conclusions of the Auditor-General on the annual financial statements for the year ended 30 June 2011 and recommends that the audited annual financial statements should be adopted by the council.

APPRECIATION

On behalf of the Audit Committee, I would like to extend sincere appreciation to the municipal staff for their assistance and support during the financial year under review.

S G Zamisa
Chairman

Glossary:

GRAP Generally Recognised Accounting Practice

GAMAP Generally Accepted Municipal Accounting Practices

GAAP South African Statements of Generally Accepted Accounting Practice

PAA Public Audit Act, 2004 (Act 25 of 2004)

